

THE
CO-OPERATIVE ORGANIZATION
IN BRITISH INDIA

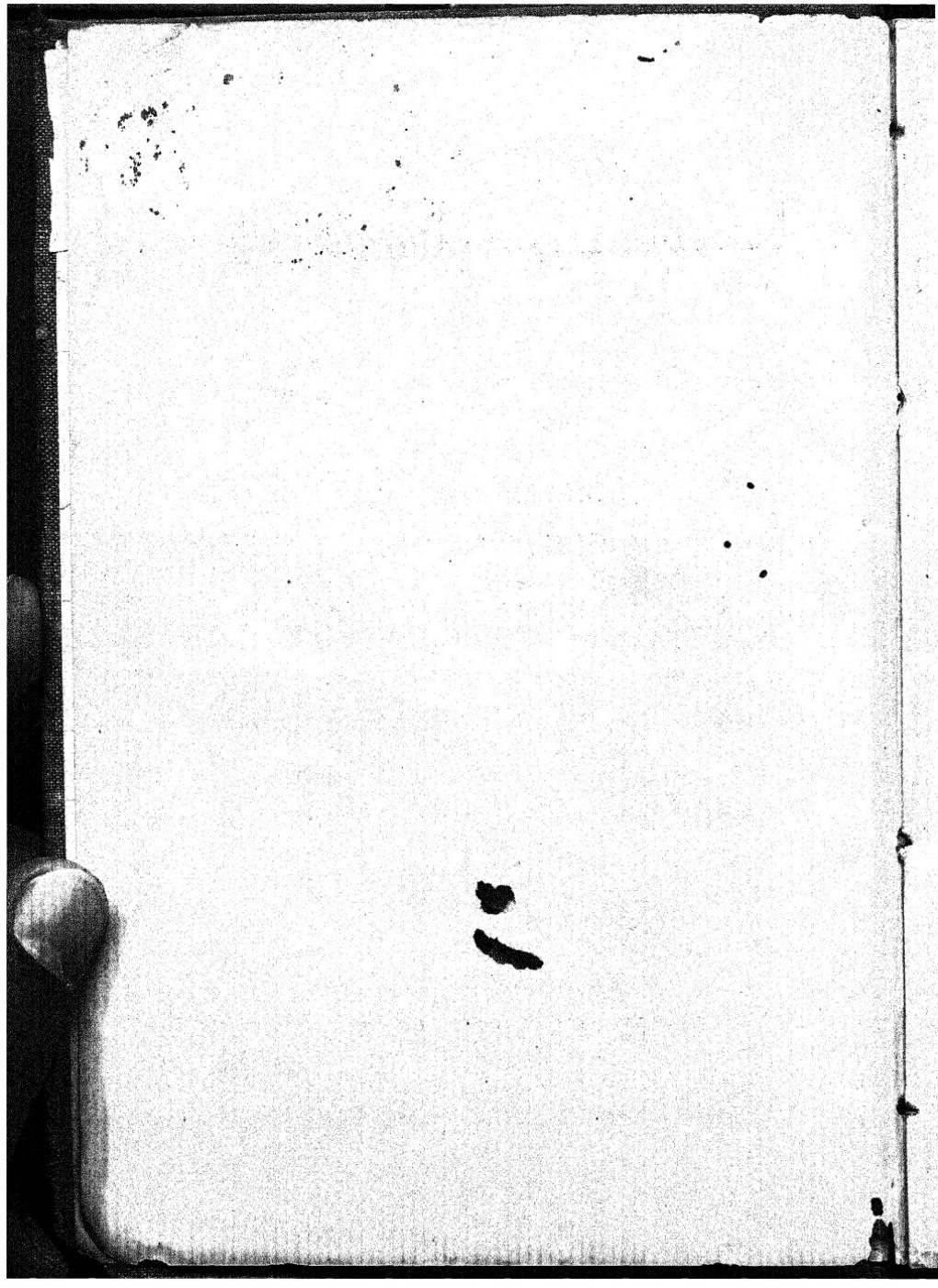
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PREFACE

I began the study of Co-operative Organization in India some two years back just to get a modicum of information about it to enable me to talk on it with some confidence to my students in the post-graduate classes. But I found the subject so fascinating, so full of hope for my country that I decided to offer to my countrymen a readable account of what has been done by this movement, and for this movement in our country during the last twenty years.

What Co-operation has done for India during this short period is really wonderful. But what we (educated and well-to-do Indians) have done for it is equally wonderful. It shows how callously indifferent we can be to things that really matter; how we can waste time in a mere war of words. What great capacity we have of hypnotizing ourselves into inactivity, while believing all the time that we are forging ahead towards the much coveted *swaraj*! Let us think dispassionately for a moment and then ask ourselves : "What is our contribution to the building up of the Indian Nation? Have we done anything towards the solution of those much vexed questions such as the Problem of the Depressed Classes or the Problem of Untouchability, or the Problem of Mass-Indebtedness and Poverty—problems on the solution of which the regeneration of India depends?" If I give



an unqualified answer there is danger of my being run down as a traitor to the country and, worse than that, a henchman of the accursed bureaucracy. And yet to be honest to myself I must say that what we have done indeed in these directions is so little as to be almost negligible. Of course, in words we have done a great deal. Not a day passes when we do not hear of some pious resolution passed on one or more of these subjects in one part of the country or another and that usually after an impassioned harangue in which every one is run down for his or her apathy, of course, the lecturer and his pliant audience excepted. If empty words and pious resolutions had any potency in securing freedom for our country, we should have had it long ago. That we are neither economically nor politically free is beyond dispute and should be enough to convince us that something more than mere words is necessary to take us to the desired goal. And that something is not to be found in any easy short cuts of the quack variety but only in earnest effort, for

*"Nature a mother kind alike to all
Grants her blessings at labour's earnest call."*

She is a wonderful woman who is neither moved by tears nor threatened into submission but yields of her own accord when impressed by the earnestness of her suitor. And this is what I wish, with all the earnestness at my command, to impress upon every young man and woman in this country. India needs serious, sustained effort not for a day or a month but for years, may be, for a generation or

two. It is only then that we can hope to achieve *svaraj*. Not till then. And there is no better method either for learning the habit of patient, unremitting toil, or for the exercise of it than actual work in the Co-operative Organization. Within the folds of this movement there is hope for everyone, weak or strong, poor or rich, literate or illiterate, of doing service to himself and to the country of his birth. The strong can teach the weak to get strong, the rich can teach the poor to become rich and the educated can teach the uneducated and thus by the exercise of mutual service raise the nation from the bottomless abyss of ignorance, poverty, debt and disease, in which we find it today, to those giddy heights, which even we in our wildest dreams of yesterday, or tomorrow have not been able and will not be able to picture to ourselves. That is why I look upon Co-operation as the Hope of the Poor, and the Opportunity of the Rich.

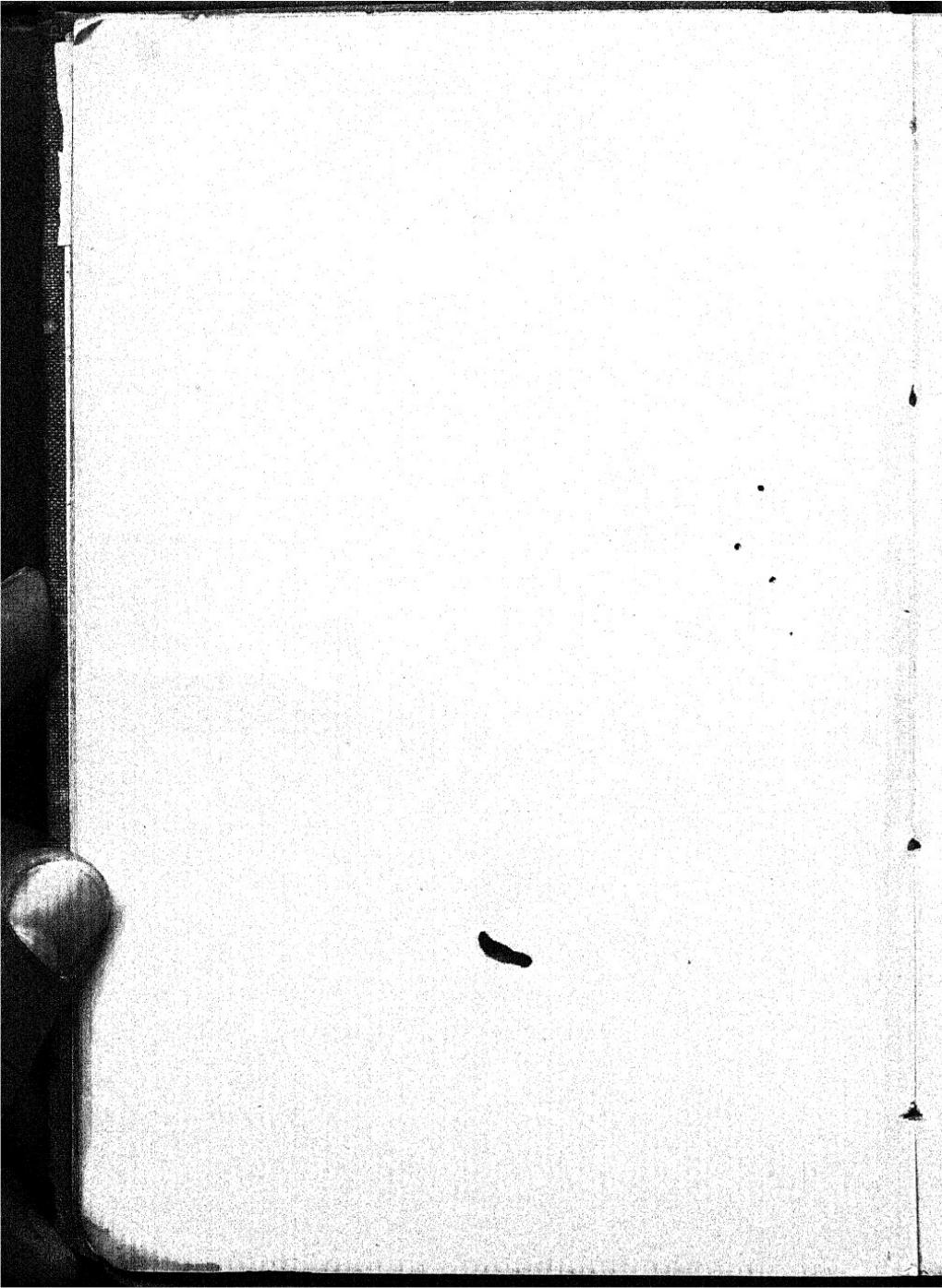
Will we young men and women respond to this urgent call of our motherland ? I believe we will. But if I have misjudged and the majority of my countrymen will still prefer a life of selfish ease to the life of service and sacrifice, which is the supreme need of our country, the need of the country must be satisfied if not today then tomorrow, if not by the sons of the ~~so~~ then by her servants from abroad. That she is destined to be great in the community of nations either through our efforts or through the efforts of her adopted sons is not difficult to see even for a casual observer of her history during the last hundred years or so.

I have an unbounded faith in the future of our country. She must be great in days to come. And the only thing that we middle-class young men and women of India can do is to accelerate or retard the day of *her greatness*. The choice is ours. Let us choose with our eyes open. I know that the temptations are great. When it is so easy these days to come in the limelight and to secure greatness in worldly possessions by the mere sharpness of one's tongue either in running down the bureaucracy or in exciting the communal feelings, why should one deliberately take to the other road full of difficulties, and with immediate prospect of unremitting toil? Because we claim to be thinking people, our power of thought should show us that the immediate glory is but a shadow cast in our way to delude us, may be to test our faith and strength of purpose. And the unremitting toil, though it may not individually bring any great rewards to all of us who belong to the present generation, is yet sure to bring freedom—the highest of all rewards that man can think of—to our country, our homes and our children. For this then let us be up and doing without thinking of rewards:

*"For we may not all be heroes
 And thrill the hemisphere
 With some great deed of venture—
 Some deed that mocks at Fear.
 But we all can fill a lifetime
 With kindly acts and true
 For there is ample service
 For noble souls to do."*

Before concluding it is my pleasant duty to acknowledge with deep gratitude the keen interest taken by my friend Hubert Calvert, Esqr., I. C. S., C. I. E., in this book from its inception to the finish. As it is, it owes much to his esteemed suggestions, and to him I offer my sincerest thanks. However, for the opinions expressed the responsibility therein is entirely mine. I also take the opportunity of thanking the Registrars, Co-operative Societies of the various provinces for supplying me with the literature.

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1st January, 1927.



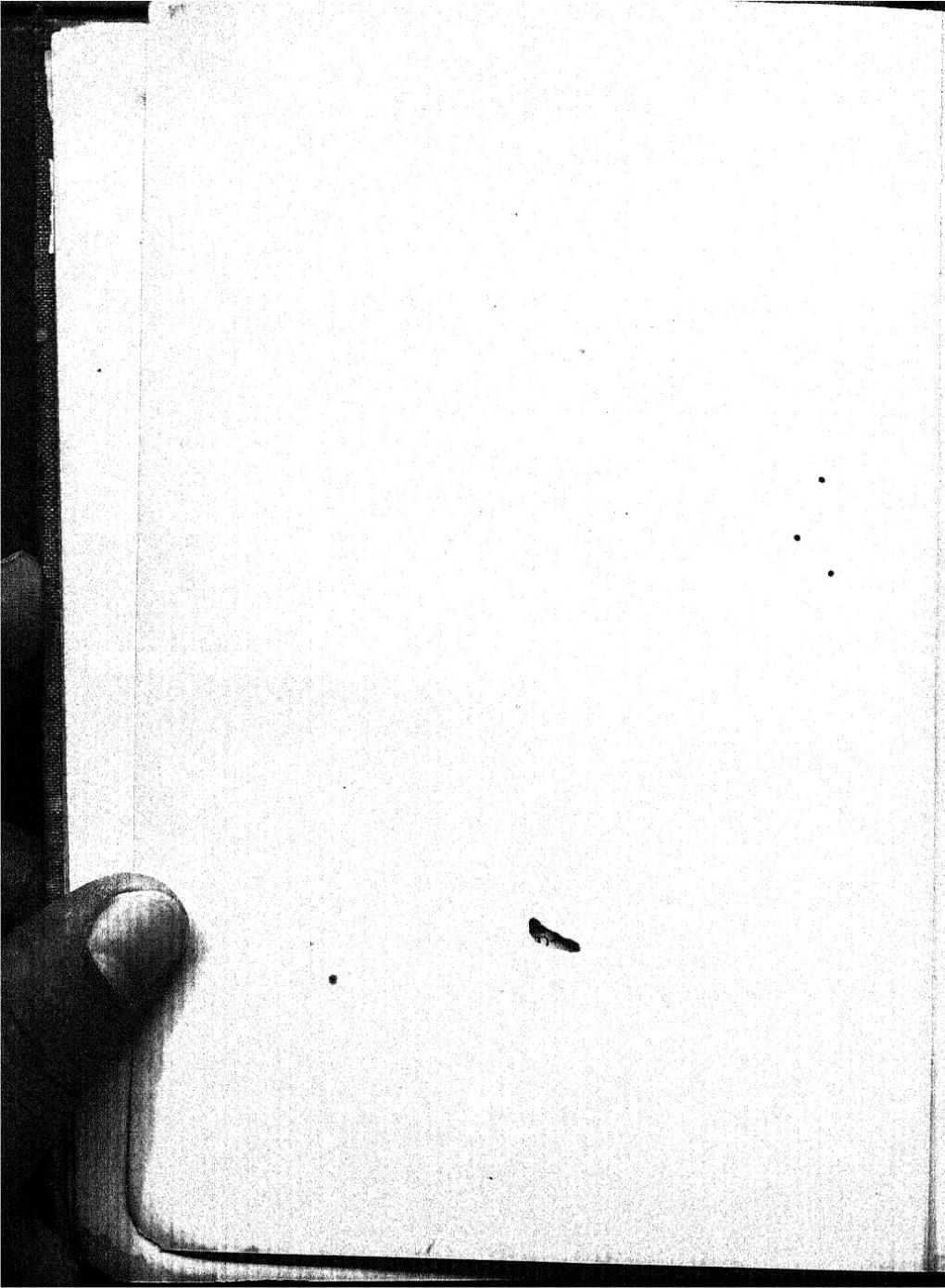
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CHAPTER I

INTRODUCTORY

Every country has its problems. India also has her own. But the peculiarity of India's problems is that all her problems are in one way or another connected with one central problem, namely, *the outstanding poverty of her people*. Do we need a committee or a commission to answer this question in the affirmative? I, for one, think not. Even a superficial touch with the people of India, i.e., people living in the Indian villages—and they are the real people of this land—would show that they are poor. The houses they live in, the clothes they put on, and the kind and quality of food they eat drive one to the conclusion that the people are poverty-stricken. My city-bred friends may feel inclined to take exception to my statement that *people living in the villages of India are the real people of India*. But a little dispassionate thinking on their part would show that the statement is substantially correct, not only because the people living in the villages form an overwhelming majority of the population of India (more than 90% of the Indian people live in the villages and 71% are directly dependent upon agriculture) but also because they are the least sophisticated and the most representative of the natives of this land, while people in the cities are in the main the descendants of those conquering races whose main business, ever since they set their feet on this country, has been the exploitation of the masses in their own interests.

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This is from observation of facts in rural India. Let us see now the result from the investigations that have been carried out so far, regarding the total and average income of the people of this country. The following table gives a list of estimates of wealth and income of the Indian people.

TABLE I

Name of Publication	Area dealt with	The year for which the Estimate was made	Total income in crores of rupees	Income per capita in rupees
Poverty and Un-British rule in India by <i>Dadabhai Naoroji</i> , 1871.	British India	1867—1868	340	20
Financial Statement for 1882,	Do.	1881	525	27
Prosperous British India by <i>William Digby</i> , 1901.	Do.	1898	429	17·5
Financial Statement for 1901—02.	Do.	1901	675	30
Industrial Decline of India by <i>Dr. Balkrishna</i> , 1917.	Whole of India	1911—12	539	21
The Wealth of India by <i>P. A. Wadia and G. N. Joshi</i> , 1924.	British India	1913—14	1210	44
Happy India by <i>Arnold Lupton</i> , 1922.	Do.	1919—20	2854·5	114
Wealth and Taxable Capacity of India by <i>Shah and Khambata</i> , 1924.	Whole of India	1900—1914 1914—1922 1900—1922 1921—1922	1106 1862 1380 2364	36 58·5 44·5 74
The Science of Public Finance by <i>Findlay Shirras</i> .	British India	1922	2866	116

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From the above table, taking the most optimistic figure as the basis of our reasoning *viz.*—the figure of Mr. Findlay Shirras, we find that the income per head of the population is about Rs. 9 as. 11 per month. The figure, as it is, is by no means hopeful, as it would, if available in full, just maintain an individual reasonably fed, clothed and housed—I am using the word ‘reasonably’ according to the standards of consumption in rural India. But the figure presupposes an equal distribution of the total yearly income, which by no means is true. Therefore what a man in the mass really gets is much less than the sum of Rs. 9 as. 11.

From this, let us turn for a while into a new field of economic enquiry and see where it leads us to. I have before me a volume of family budgets collected under the distinguished leadership of Mr. Findlay Shirras in the Bombay Presidency. I have also before me a number of family budgets for the province of Bihar and Orissa collected by the members of the *Chanakya Society*. I have gone through the family budgets collected by a band of enthusiastic students under the distinguished leadership of Dr. Gilbert Slater in the Madras Presidency. I have examined the family budgets collected by the *Economic Enquiry Board, Punjab*. And for the United Provinces, I have collected myself a number of family budgets in collaboration with the other members of the Kautilya Circle. All these have left an indelible impression on my mind that the mass of the people is poor. If from this general

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impression we turn to the statistical facts as revealed by these different investigations, we find that in the four divisions in which Mr. Findlay Shirras has divided the presidency of Bombay for his enquiry, the average daily cash wages per head for the different classes of labourers were as follows :

TABLE II

**Money Wages per day of Field Labourers * in the
Bombay Presidency in 1922**

Division	Urban Areas			Rural Areas		
	Rs. as. p.			Rs. as. p.		
Northern Divn.	...	0	10	3	0	8 0
Central Divn.	...	0	8	3	0	6 6
Southern Divn.	...	0	8	9	0	6 6
Sindh Divn.	...	0	12	6	0	12 0
Average for the Presidency	...	0	9	0	0	7 3

* The term 'field labourers' includes farm servants, field labourers, herdsmen, shepherds and goat-herds. (*Vide page 9 of the report mentioned above*).

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TABLE III

Money Wages per day of Ordinary Labourers* in the
Bombay Presidency in 1922

Division		Urban Areas			Rural Areas			
		Rs.	as.	p.	Rs.	as.	p.	
Northern Divn.	...	0	13	3	0	10	0	
Central Divn.	...	0	9	3	0	6	3	
Southern Divn.	...	*	0	9	9	0	8	3
Sindh Divn.	...	1	0	0	0	10	3	
Average for the Presidency	...	0	12	0	0	8	6	

* Under 'ordinary labourers' the following were included :—
 (1) wood-cutters, firewood collectors and charcoal burners ;
 (2) lac collectors ; (3) labourers in harbour works and dock-yards ; (4) labourers employed on the construction and maintenance of harbours and docks, streams, rivers and canals ; (5) labourers employed on roads and bridges ; (6) porters and messengers ; (7) labourers and coolies employed on railway construction and maintenance ; (8) village watchmen ; (9) municipal and other local servants—not assigned any other class ; (10) village officers and servants other than watchmen ; (11) domestic servants, cooks, water-carriers, door-keepers, private grooms, coachmen ; and (12) labourers and workmen otherwise unspecified.

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TABLE IV

Money Wages per day of Skilled Labourers* in the
Bombay Presidency in 1922

Division	Urban Areas			Rural Areas				
		Rs.	as.	p.		Rs.	as.	p.
Northern Divn.	...	2	3	6		1	13	9
Central Divn.	...	1	5	9		0	15	0
Southern Divn.	...	1	1	9		1	0	3
Sindh Divn.	...	2	4	0		1	10	0
Average for the Presidency	...	1	10	9		1	5	0

This must be enough to show beyond any doubt that the people of India are poor. And that is what we want to be clearly recognized by those, who are in any way interested in the well-being of the people of this country. The problem, whether we in India have become richer or poorer since the coming of *the British*, may be of paramount significance to the professional politician to give him an excuse to sound a ~~single~~ for the final departure of *the British* from this country. But it is of no consequence

* Under 'skilled labourers' are included (1) carpenters, (2) turners, joiners, workers on iron and makers of implements and tools, (3) workers on brass, copper and bell-metal, (4) stone cutters, (5) bricklayers, masons and sawyers.

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whatever to those whose main object is to bring about an increase in the real income of the people. True, the Indian politician is also right in his own way, as, perhaps, he honestly believes that, if *the British* leave India to his care, he would be left untrammelled by the heavy hand of the foreigner to carry out his schemes of rural development and thus increase the prosperity of the people. But if wishes were horses, I could have ridden them long ago. And the difficulty is, that even if the accusation of the Indian politician be true beyond doubt, and proved to the entire satisfaction of the whole world minus the people of the British Isles, and even if they be convinced of this fact, they would never acknowledge it ; and even if they were to acknowledge it, they would never carry this proposition to its logical conclusion, and leave the country bag and baggage to be looked after by the middle-class politician of this country. Therefore, the proposition that India has become poorer by the coming of the British, whether it is proved this way or that, is not going to help the poor toiling masses, and is at best to be looked upon as a fruitless enquiry. The fact of our poverty is incontestible and is accepted on all hands, both by the Government spokesmen and the popular leaders. What we need therefore is an enquiry into this poverty, its nature, its causes and the possible solutions thereof.

leaders

Now, why do some nations prosper and some others do not ? Because some economise while the others waste their

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energy, their working power and their resources. Why does the civilization of some nations progress while that of some others decline ? There is no mystery or magic in the answer. It is a question of what people do with their energy and their resources. A nation is as it deserves to be. Its prosperity is limited only by the exercise of its own wisdom and virtue in making use of the materials that God and Nature have put in its power. It cannot by any possibility prosper, if it wastes its energy, man power or resources ; and it cannot help prospering, if it uses these with thrift and forethought. We, in India, are poor, because we are failing to use our energy and our resources, and have not yet learnt how to put these to economic uses. That we are wasting our energy and our resources would be clear, if we try to reflect upon what we are doing, say, in agriculture—*our greatest industry*.

Physical forces that condition agriculture in India are perhaps not so promising as in some other countries such as America or France. Agricultural experts say that here land is deficient in mineral constituents, especially in lime and phosphates, with the result that the grain tends to be light both in weight and nutrition. Then again the river systems of India are not enough widespread to cover all the culturable area, and agriculture is very largely dependent upon rains, and is regulated by them. But taking all in all as a gift of Nature, we are endowed with a much better

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quality of land and rivers than many other countries of the world. If our soils are not so rich in chemical constituents as soils in other countries are, it is because we have done nothing to make them rich. Even in the agricultural history of a backward country like China, we read of continuous efforts to renovate the fertility of the soil, with the result, that that most densely peopled country of the world is able to raise sufficient food from its soil. We, in India, have been not even restoring to the soil what we annually take from it. For nine months out of twelve we use the cow-dung as fuel, and thus lose from 60% to 75% of our farm manure. And taking all things into consideration, for ordinary crops farm manure is by far the best. Then again, every year, India exports about 12 lakhs of tons of oil-seeds—in 1922-23 we exported 11,77,000 tons—and thereby lose a manure very rich in nitrogenous matter. Instead of exporting the seed, if we could extract the oil in the country and then export the oil, we would not only be making profits of manufacture but also we could give to the soil its due by employing the oil-cake as manure. Agricultural experts tell us that a very large part of the original matter, of which the oil in an oil seed is made up, is derived from the atmosphere, while the cake that is left over derives its matter from the soil. This is not all. Even the part that we preserve of the farm manure is not utilised in the best possible way. Both our methods of storage of manure and application

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of such stores to the soil are wasteful. We have no system of accumulating manure in pits on the farm itself, nor do we trench it when applying. While storing, we let it lie just at the outskirts of the village *abadi*, or at the back of our houses on the open surface, either to be burnt away by the scorching heat of the sun or to be washed away by the downpouring rains. And this indifferently developed manure, when applied to the field, is left on the flat surface in small little heaps a week or so before the approach of rains. This gives a further opportunity to the sun to do its work, and when finally the rains come, they wash away its lightest and the most useful particles, and what is left to be ploughed in the farm is just the undeveloped parts of it, which could by no means add much to the productivity of the farm so far as the immediately following crop is concerned.

It is in a soil so manured, if at all it is, that the cultivators sow their seeds. There is a common saying in the Indian villages (जैसा बीएगा वैसा काटेगा) 'As you sow, so will you reap.' From the degree of currency of the above saying in the rural areas one would expect a scrupulous care in the selection and storage of seed on the part of the agriculturist. But in practice, what is met with is a total want of care. The large majority of the Indian agriculturists, being heavily in debt to the village *sowcar* (or *Mahajan*), has to part with all its produce at the end of harvest to him, and generally it is he

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who provides it with seed. Although he usually charges very high price for the seed supplied, yet from what I have seen of rural life I feel justified in saying that he takes no care whatever either to select the best material for sowing purposes or to store it after selection. As far as possible, he tries to pass on to the poor cultivator the ordinary thing that he has been keeping along with the other grains for other purposes. The methods of storing grain in India are so defective that it is no wonder that an appreciable part of the seed sown fails to germinate, and the part that germinates grows into poor seedlings, resulting in poor crops. The common methods of storing grain in Indian villages are either in a *khatti*, that is, in a deep hole dug in the earth, which usually is not even lined with bricks, or in a *bhuseri*, that is in a room usually made of mud and lined with *bhusa* (chaff); or in big earthen vessels. Of these three, the third is by far the best, but in this way only small quantities of seed can be stored. When a cultivator can afford to keep his own seed, he generally adopts this method and to keep off damp and weevils, he usually mixes ash or puts in bits of asafoetida. But the *sowcar* with large stocks of things finds the *khatti* or the *bhuseri* more convenient. The grain when kept in one of these is not only subject to damp, but is very often infested with weevils and eaten up by rats. This enormous waste that we in India are suffering year after year could be avoided, only if our farmers

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a day or two before the cutting of their ripe crops, could take a leisurely walk through their fields and pick out the best developed plants and then thrash them separately and store the grain in strong earthen vessels and seal them tightly with mud. Surely, this requires neither any violent change from the traditional methods nor any serious expenditure of time and money, but a little care and forethought. But they will not do it. If asked why they do not adopt this very desirable and yet inexpensive method that would add materially to the productivity of their farms, the usual answer is that every particle of their produce is already pledged to the *sowcar*, and he would not let them take anything to their homes. And there is much truth in what they say. But the waste is still there, whatever its cause. This reminds me of what Marshall has said in one place "*Poverty is the destruction of the poor.*" This is perhaps in no case more true than in that of the Indian agriculturist. Being poor, he has not means enough to provide himself with improved tools, or to make use of improved methods of cultivation, as discovered by our Agricultural Departments. The persistent use of old tools and of old practices of cultivation is causing much loss of time and energy, and yet nothing can be done for want of funds. Dr. Slater in an article on "*South Indian Economics,*" contributed to the *Indian Journal of Economics*, Vol. II, Part 2, remarks: "*I have watched with amazement the harvestors*

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at work in the paddy fields.....and I asked how many men it took to cut an acre in a day. The answer was eight and that women were necessary in addition to carry the crop to the thrashing floor....Now in England when we cut corn we do it by machinery, and one man, driving a cutting—and—binding machine can, I believe cut and bind six acres in a day." What loss of time and energy! This is but an isolated instance of our everyday activity in the villages. Then again, the usual practice in India is to thrash the crop in the open, after it is cut and dried. There it is not only spoiled by wandering cattle and thieves, but sometimes rains come in and cause a lot of injury to the grain and the straw. Only this year (1926) we have had a case of this kind in some part of Northern India. In progressive countries crops after being cut are stacked in sheds and there thrashing operations go on. The Indian cultivator is too poor to provide a barn for himself, and the Indian landlord, where he exists, too careless to take notice of such little things.

If from agricultural practice we pass on to see what the farmer does with his produce we find that waste continues as prominently here as noticed above. Being ignorant, and deeply indebted to the ~~village~~ ^{village} ~~sowcar~~, he fails to co-ordinate his efforts with the wants of the consumer. Most of our cultivators do not know the markets, where they could take their produce for selling at a good price. And those who know, cannot afford the expense of carrying

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their produce to the central markets, nor can they afford to wait for a better price. They sell their produce at low rates to the village money-lender ; who naturally takes advantage of their weaker position and buys at considerably lower prices, than what the farmers could have secured if they had carried their goods to the central market, or if they could hold them for sometime, say, a few months after the harvest, to realize good prices. Even if the cultivators' produce is not already pledged to the money-lender for advances of cash or grain, the cultivators must sell their produce to the money-lender and at the latter's terms, because they have to pay rent and there is nobody except the money-lender ready to buy the produce.

And what are the terms on which the village money-lender advances grain or cash and buys the agriculturists' produce ? Generally speaking, there are two ways in which the agriculturists come within the clutches of the village *mahajan*. Either they are his regular clients and he their *sowcar*, or they are just a crowd of sellers anxious to dispose of their produce and he almost a monopolist buyer. In the second case naturally all the advantages are on the side of the buyer and the agriculturists lose much, for they cannot afford to wait till ~~price~~ rise. But the loss in this is nothing as compared to the first. Under the first relationship, which is known as the *sowcari* system, there is an unwritten but, all the same, binding undertaking on both sides to do business dealings with each other

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and with no third party. The *sowcar* undertakes to provide the agriculturist with grain for seed and food, as well as, cash for paying the wages of labourers or for buying implements and other agricultural or household requisites. In turn, the cultivator undertakes to sell the produce of his farm to the *sowcar* and to no other. The *sowcari* rate of interest on the grain is either *savai* (25% in kind) or *deorhi* (50% in kind), while on cash advances it usually varies from rupee one to rupees two per cent. per month. But in the latter case, the client is not expected to pay back the money in cash, but in the produce of the farm; and the produce is usually rated at from a quarter of a *seer* to a *seer* more than the prevailing market rate. Thus what the *sowcar* really gets in interest is much more than 12 or 24 per cent. per annum on the money advanced to his clients.

Such in brief, and in its purest form, is the relationship between the *sowcar* and his clients, and even as such, it is by no means favourable to the borrower—the rates of interest are very high indeed. But with the growing indebtedness of the agriculturists, the *mahajan class* has adopted innumerable devices to increase their burden. Under the *sowcari* system, ~~is~~ understood in the recognized circles, the advances in grain are to be entered as such, and the *savai* or *deorhi* charged on them at the time of realization, i. e., the next following harvest during the currency of which the grain was advanced. Should the

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cultivator fail to pay his debts in full at the harvest time, the *mahanjan* will commute the unpaid balance into money and enter it in his books of account as a cash advance made to the agriculturist at a rate that would be prevailing in the locality. Of late the *sowcar* has become more exacting by taking advantage of the prevailing high prices, He advances grain to the cultivator. He determines the price of grain at from a quarter of a *seer* to a *seer* less than the prevailing market rate. The price so arrived, he enters in his books. Upon that he charges the usual rate of interest. And at the time of realizing the debt so brought about—harvest time, when grain would be cheaper—he recovers it in grain at a rate from a quarter of a *seer* to a *seer* more than the prevailing market rate. By this simple device he has succeeded in increasing enormously the weight of indebtedness of the agriculturists. This is done in the open daylight, but there are many other underhand practices such as having two sets of weights, the lighter ones for giving out the grain and the heavier ones for receiving ; the mixing together of indifferent grain and good grain and so on that go to swell his claims against the poor ignorant agriculturists.

to go
It is needless for me to go on multiplying instances to show that we in India are not making proper use of our resources, and if at this stage, I was asked to sum up the causes of agricultural poverty, I would do it in two words *want* and *waste*. Want of intelligent and organized

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direction, want of organized capital and labour, and want of economic and consolidated holdings are written in bold black letters on one side of her face while on the other side are set down with the same black ink and in the same bold hand, the waste of time, the waste of energy, and the waste of available resources. For the same land and for the same expense of time and effort we do not get the same good results as people in other countries do, because, they know how to organize, how to eliminate waste and how to make the best out of a given set of things, and that is why we are poor and they are not.

If we want to be prosperous we must teach our agriculturists how to economise their time and resources, how to eliminate waste, and, above all, how to get rid of the village *mahanjan*, who is eating up the very vitals of the village life. This reminds me of a common saying in the Indian villages "wealth begets wealth." Perhaps, it is the Indian agriculturists who work the hardest, and, perhaps, it is they who are most sober, and yet it is they who live from hand to mouth, and, as a rule, have little to fall back upon during the days of distress. And when it comes, as it does so often, to the house of a small man, he has perforce to seek help from some body stronger than himself. Thus, the great mass of them still turn to the village money-lender for the capital necessary for carrying on their industry. And in a transaction in which their needs and ignorance are pitted against the greed and shrewdness of

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a *mahajan*, they are usually overreached and have to pay far higher rates of interest than the security, which they have to offer, justifies. This persistent indebtedness and stagnation amongst vast masses of the population led people to believe that the condition of the masses is incapable of any improvement, and the worst of it all is, that even those, who are the victims of this malady, believe in their present lot as an inevitable one.

But in every country and, perhaps, at all times, there happen to be some erratic souls who do not believe in the current dogmas and who do their best to prove them false. To this class belonged those, who, first discovered, in the principle of co-operation, a means of the uplift of the submerged classes—a means to provide them wealth to beget more wealth.

True, there was nothing new or revolutionary about the discovery of the principle. We see it every day of our life and often practise it too, and our predecessors must have done the same times without number. The principle underlying the co-operative movement is essentially a simple one, as all great principles always are. Co-operation in all its manifestations is the application to economic life of the principle that unity is strength. Thus, when ten or twenty men join together to lift a heavy log of wood, it is nothing but an expression of our principle in a simple form. What never could be done by a single individual acting by

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himself is done with ease when many individuals join together.

In the human race, certain elementary forms of co-operation are discernible from the earliest times down to our own days. From the simplest operations performed by individuals working together, such as the cutting of a tree, or the lifting of a weight, or the digging of a trench, to the more complex ones, in which these individuals divide their labour to accomplish a given end, such as the construction of a house, the cultivation of a field, or the weaving of a garment, co-operation has been resorted to as one of the best known economic methods. In this manner, we find that, among men, the principle of co-operation, although different in forms from that which we are now going to discuss, plays, and has been playing a considerable part in the various occupations of life. For our purposes, we may now define that form of co-operation which is the subject-matter of this book as the organization of several individuals into a corporate body to obtain by their united energy and strength the advantages of large-scale dealing, be it in credit, production, consumption or distribution. It is based primarily on the truth that the larger the unit the greater the economy in working ; that the greater the mass of capital, the more confidence it will command. But the moving spirit is rather moral than material. It is found, that when an individual works in association with certain other individuals to attain a

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certain end, the mutual-help element gives him confidence and broadens his outlook. Both these achievements improve his capacity for work. By helping in a small way in the management of the affairs of the society, the individual learns to manage his own affairs with economy and judgment. In a word, he begins his education as a man of affairs in the truest sense. Material prosperity follows his enlightenment and enlightenment increases with material prosperity. He obtains capital adequate for his needs at rates, which make the full utilization of his opportunities possible. He learns the value of thrift both positive and negative. Positive, when he places his savings with his society at interest, negative when the force of public opinion is set against his extravagant expenditure on home ceremonies.

However, the originality of those, who first made use of this universally—met—with principle for the uplift of the submerged classes, lay in the fact, that they applied it to the solution of the problems of mass poverty, mass ignorance and mass wastefulness, with the result, that, wealth, knowledge and thrift, that were denied to the individual acting by himself, became accessible to him, while acting along with others as weak as himself.

Now says Wolf "*There is no stimulus to thrift, economically soundly regulated thrift which makes savings fructifying to the owners and the community's benefit like co-operation. The fact has been admitted wherever co-operation has been applied. Co-operative institutions, be*

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they ever so humble, not only very successfully attract savings deposits but on the top of this, saving in co-operative societies has been found to evoke a saving instinct."

And that is what is wanted in India. It is the instinct for saving that we ought to try to rouse in the Indian storer-away of jewellery and golden ornaments. Provoke the habit of thrift, and the *mahajan's* rule with all its attendant evils will find its days numbered. This can only be done by the development of co-operative institutions.

However, thrift, by itself, is not enough for a set of people, such as we have in India, who are suffering from a serious and a chronic state of disease. First, the starving man must have food and that on the spot to sustain life and that is what is provided by organised co-operative credit. Whereas the *mahajan's* credit makes the borrower sink deeper and deeper into the mire, the co-operative credit gives him opportunity with the aid of borrowed money to produce what will more than repay the loan. Credit for long was a monopoly of those only, who, as one would think, should need it least, i.e., the moneyed classes. Co-operation has democratised credit also. It has brought it to the doors of those, who need it most and in whose hand, if rightly employed it is likely to yield good return. A lakh of rupees distributed among a thousand hardworking and deserving people who are taught how to use it well, are likely to do more social and economic good to the

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community than the same sum handed over to a big landlord who is likely to spend it in a single night on a *nauich* party.

It is the special office of co-operative credit societies to create and organize such credit as capitalist banking can never hope to organise; compelled as it is to trust only to property as security, it does not possess the means of creating security out of the existing material, *i.e.*, honesty and opportunity alone. It cannot test all the hundred humble cases, take the necessary security in a form other than mere property and afterwards watch over the loan made so as to ensure its repayment. But what a big capitalist bank with its headquarters in a big town, miles and miles removed from the rural areas, finds difficult to attain is very easily, almost naturally, achieved by a humble co-operative credit society consisting, as it does, of the borrowers themselves, and situated in the area of its activity.

Not only for the cultivator steeped in debt, has it provided cheap and safe credit but it has also been found that when a number of people buy jointly the articles required by each of them and distribute them afterwards amongst themselves, they can buy more cheaply and obtain articles of better quality with fairer measure than they obtained when they made their purchases individually. Similarly, when people join together to sell their produce they have found that they can obtain better prices

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for it than when each man sold his own produce separately. Similarly also, people have found it profitable to join together in a society to purchase expensive machinery or agricultural implements, and to own them jointly, and to lease them out to individual members of the society for moderate fees, whereas, the individual members would not have been able to purchase these articles by themselves without such co-operation. And lastly, people have found it profitable to establish co-operative factories, both in order to manufacture their own domestic and other requirements and also to prepare their own produce for market without the intervention of the manufacturer. So that co-operation in modern life has become a force like steam, which, when rightly applied, has been used and could be used to drive railway carriages on land with as much ease as ships on the high seas, to weave cotton, silk or wool, and to cut logs of wood into fine planks. Even so with co-operation.

The pioneers who gave co-operation its present form hailed from Germany and they were Herr Schulze, Mayor of Delitzsch and Herr F. W. Raiffeisen, burgomaster of a group of villages round Neuwied. Both were men who had seen government service. Schulze-Delitzsch was a judge and a member of the *Prussian National Assembly of 1848*. Raiffeisen was an ex-soldier and wine merchant. Both broke entirely new ground, although Schulze-Delitzsch had learnt the powers of thrift from the *English Friendly*

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Societies, and Raiffeisen was influenced by the public savings-banks. Both began with an individual effort to relieve distress in their particular districts. Both ended with the conviction that improvement was only possible when it depended upon and came from the organized efforts of the people themselves. In 1849 Schulze-Delitzsch founded a *Friendly Society* for the relief of sickness, and in the same year an *Association of Shoemakers* for the purchase of raw materials. In 1850 he founded at Delitzsch his first *Loan Society*. This was followed by a second in the neighbouring village of Eilenburg, and in 1852 he made the parent society a self-supporting institution with share capital. He saw that lack of sound credit was at the root of the small men's helplessness and that this credit could only be provided, if the small men by mutual help organised themselves to obtain it. In 1848 Raiffeisen founded at Weyerbusch (Coblenz) a co-operative society for distributing potatoes and bread to the poor. Next year he founded a loan society for the support of unprovided farmers; the members, however, were rich philanthropists, who sold cattle at easy rates to unorganized farmers. But they were not the farmers themselves. In 1862 he founded another loan society at Anhausen, in which the borrowing farmers were themselves the members. He, too, saw that the poor required not donations of money, but the organization necessary to command this money for themselves. Neither Schulze-Delitzsch nor Raiffeisen

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had a government commission to establish credit banks. Their sympathy stirred them to efforts of relief ; their experience shewed them the condition under which alone permanent relief was possible ; and their genius created triumphantly the conditions which contemporaries thought to be unattainable. Schulze-Delitzsch was first in the field, but Raiffeisen worked out his own organization, though acknowledging the priority of the other. Schulze-Delitzsch entertained doubts when he detected certain variations from his own regulations. Raiffeisen held boldly to his position. Each observed that the other had solved a great problem by principles essentially the same : but neither realized that their differences of method were due to and justified by differences of environment.

In 1856 Schulze-Delitzsch published a book defining the scope and object of his work. In 1859 he organised the first congress of banks which resulted in the establishment of the *General Union of German Industrial Co-operative Societies* of which he was director up to his death in 1883. In 1867 he secured from Prussia the first co-operative law, which was converted into an Imperial Law in 1889, when limited liability was permitted to all forms of co-operative society.

Raiffeisen took some time to work out his scheme of rural credit. At first he contemplated a dual system, as laid down in the first edition of his book *Loan Societies* published in 1866, employing the Anhausen model in purely

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agricultural districts and the model of the Heddesdorf Society, which had share capital in imitation of Schulze-Delitzsch, in districts with a mixed population. But in 1873 Raiffeisen decided to abide entirely by the Anhausen model, which is accordingly the model known as the "Raiffeisen Bank." In 1877 a general union was established calling itself finally in 1899 the *General Union of Rural Co-operative Societies*, which covers the whole of Germany but is recruited mainly from the west.

CHAPTER II

HISTORY OF CO-OPERATION IN INDIA

As noted in the Introduction the one universal truth in regard to agriculturists is that they require credit. Another fact that is equally true of almost every country in the world is that it has always been difficult to obtain agricultural credit on satisfactory terms. Because the individual security in the case of an agriculturist cannot be placed in the bank's safe or godown, and the sums required by him are too small and too numerous for joint-stock banks to deal with. The result is that the whole of the modern banking credit has been mostly confined to commerce and industries in the towns. At the same time agriculturists as a class cannot avoid borrowing, and the Indian agriculturists have not proved an exception to the rule.

The subject of rural indebtedness in India is one of the most chronic and difficult problems. The Famine Commission of 1880 drew attention to this question in the following words : " *We learn from evidence collected from all parts of India that about one-third of the land-owning class are deeply and inextricably in debt and that about an equal portion are in debt though not beyond the power of recovering themselves.*" We find a more gloomy picture of the indebtedness of the agriculturists in the Report of the Famine Commission of 1901 : " *in his evidence before us the chief secretary of the Bombay*

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Government said that 28% of the land in Broach had passed into the possession of the money-lending classes, and from a report of the collector of Ahmedabad, it appears that in his district, expropriation of the land owners has also made considerable way. Taking all these statements into account and comparing them with the evidence we have received, we think it probable that at least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, that less than one-fifth are free from debt and the remainder are in debt to a greater or less extent." Theodore Morison thinks that the average is about two-thirds of the whole body of cultivators and these generally borrow from the village money-lender at exorbitant rates of interest. From a return furnished at the *First All India Registrars' Conference, held at Simla in 1906*, we find that the rates of interest charged by the village money-lender on agricultural loans to ordinary cultivators were as follows :

PROVINCE	RATES
Madras	12 to 75 per cent.
Mysore	Do.
Bombay	Do.
Central Provinces	18 to 25 per cent.
Bengal	Do.
Eastern Bengal	18 to 24 per cent.
Assam	37½ , ,
Punjab	24 , ,

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Oudh and Meerut divisions

of the United Provinces 12 to 18 per cent.

Other divisions of U. P. 37½ „ „

High as the above rates are, they do not give the real idea of the payments that the agriculturists have to make to the *mahanjan* under the prevailing system to secure credit.

This indebtedness of the agricultural classes in the greater part of the country had for many years attracted the attention of Government and various remedies were tried for improving their material conditions. A system of state loans was introduced, Post Office Savings Banks were opened, the Civil Law relating to debt was frequently and extensively amended and special legislation was initiated at various times in different areas for dealing with tenant rights, the alienation of land, the general settlement of debt, and the curbing of usury. At any rate although much was done by some of these measures to help the peasant community, the general result of all these could only be described as partial and incomplete. Without, therefore, abandoning the class of remedial measures previously attempted, the Government trusted to co-operation as the most hopeful method of dealing with the problem before it.

It was in 1882 on the initiation of Sir William Wedderburn, who was then the District Judge of Poona, that the Government of India proposed to the Government of Bombay the experimental establishment of an agricultural bank

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in the Puriandhar Taluqa in that district, for providing capital to agricultural classes on reasonable terms. The principle of operation of the proposed bank was to borrow money at moderate interest from the big capitalists, whether Indian or European, and to hand it over to *ryots* at a higher rate, but at once considerably lower than the rates charged by the *sowcar*. The security was the *ryot's* industry and honesty attested by the fact that he had till then been able to live, while paying as much as 24% on his borrowed capital, and had scrupulously been paying his debt whenever it was possible for him to do so.

The Government of India were ready to clear the way for this experimental bank (1) by liquidating the debts of the agriculturists within the selected area on the understanding that the Government advances would be taken over by the bank when it started business; (2) by allowing the bank for a time at least to recover its loans through the Revenue Courts; (3) by assigning in some cases priority to its loans, and (4) by remitting stamp duty and other dues for a certain period in its favour. The bank was at liberty to make loans for any purpose or to any person having a ~~transferred~~ interest in land within its area of influence, but it was to engage to limit the rate of interest on all loans to a maximum of 12% and to conform in respect to other matters to the rules prescribed by the Government. The Secretary of State, however, did not

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approve of these recommendations and the scheme was accordingly dropped.

Although this scheme of Sir William Wedderburn fell through yet it led to legislation to regularise and improve the *Tagavi* (state loan) system. However, even this did not meet the situation and the Government of India looked for guidance to European experience and turned its attention to co-operative methods. The Madras Government was the first to grasp the possibilities of co-operative movement in India and they in 1892 placed Sir Frederick Nicholson (then Mr. Nicholson) on special duty to study the theory and practice of agricultural and other land banks in Europe and to suggest means by which a similar movement might be popularised in India. The Madras Presidency afforded a hopeful field for experiment because a number of indigenous societies known as *Nidhis** analogous to the *Friendly and Building Societies of Great Britain*, were already in existence there and had attained some measure of success. In 1897-99 Mr. Nicholson issued an exhaustive report on the systems prevalent in Europe, which, though now to a certain extent out of date, still constitutes an invaluable source of information regarding European practice. From this report and from other standard works on Co-operation a fairly complete idea can be gained of the co-operative movement as developed in Europe and more

* For a fuller idea of *Nidhis*, see Nicholson's Report.

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especially of the lines on which co-operative credit was organized by the German reformer Raiffeisen.

While Sir Frederick's enquiries were in progress Mr. Dupernex of the Indian Civil Service had been placed on special duty by the United Provinces Government for the purposes of discovering by local enquiries how best to establish agricultural banks in selected localities. His conclusions were set forth in an interesting and suggestive book entitled "*People's Banks for Northern India, 1900*". The ideas about co-operation first brought to public notice in this work and Sir Frederick's report soon began to bear fruit, and in parts of the Punjab, the United Provinces and Bengal some district officers on their own initiative established a few primary societies. But it was at once apparent that no real advance could take place without special legislation. The Companies' Act of 1882, with its 256 sections and elaborate provisions, was wholly unsuited to societies of the kind, which it was desired to encourage, and Lord Curzon's Government was not long in satisfying itself that special legislation was needed. A Committee was appointed under Sir Edward Law to make proposals after considering the opinions of Local Governments and the experiences of officers who had already started societies. The conclusion at which they arrived was that co-operative societies were worthy of every encouragement and a prolonged trial. They drew up model schemes of management for both rural and urban societies and discussed the

officers
who

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the form of legislation needed to secure to societies the privileges, which they recommended for them, and to provide for their due working and supervision. Their recommendations proved the basis of the Bill which was passed into law in 1904 as the Co-operative Credit Societies' Act. Along with the act, the Government of India issued an explanatory memorandum, drawn up by Sir Denzil Ibbetson, which, for its clear grasp of first principles and directness of statement, still well repays perusal. It was explained, that the cardinal object of the act was, by the simplicity and elasticity of its provisions, to permit a genuine Indian movement to spring up, based on those general broad principles which must necessarily underlie any organization claiming to be called co-operative. Experiments were to be freely allowed, and more particularly for the furtherance of agricultural, rather than industrial credit. Societies were classified as rural and urban, and while the latter were left a free choice, the former were bound to accept unlimited liability. In ordinary cases, the area of societies was to be closely restricted. They were given a legal personality and authorised to raise funds and carry on their business in a corporate capacity. Loans might be made to members only on ~~national~~ or real security, but not ordinarily on chattel security. An annual official audit was made compulsory. The interest of any member in the share capital of the society was strictly limited, and special exemptions from the provisions of the Stamp Act,

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the Registration Act and the Income-tax Act were conceded. The subject of the Central Banks and the higher stories of the co-operative structure were not however dealt with at this stage, and no indication was given as to the means of providing resources for enabling societies to meet their liabilities to depositors.

Local Governments at once set to work to give practical form to the intentions of the Act. The first step was to appoint Registrars in the various provinces to guide the co-operative propaganda, to start a few model societies and to train the rural population in the proper methods of management. Local conditions varied so widely that progress was by no means uniform, and, in different regions, very different types of societies began to make their appearance. But in no province did the new doctrine fail to strike root, as will be noticed from the figures quoted below. The progress made in the first few years of the movement was remarkable.

Year	Number of Societies	Number of Members	Amount of working capital*
1906—07†	843	90,844	Rs. 23,71,683
1907—08	1,357	149,160	44,14,086
1908—09	1,963	180,388	82,32,225
1909—10	3,428	224,397	1,24,68,312
1910—11	5,321	305,058	2,03,05,500
1911—12	8,177	403,318	2,35,74,162

* Capital lent by one society to another has been twice included.

† The figures for Indian States have been excluded.

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It will be evident from these figures that the movement did not take long to outgrow the dreams of its founders, and in two directions the need for improved legislation was especially felt. In the first place, the example of the credit societies established under the Act of 1904 had led to the introduction of co-operative societies for distribution and for purposes other than credit, for which no legislative sanction could be secured under the then existing law. And in the second place, the need for a freer supply of capital and for an improved system of supervision had led to the formation of various central agencies (afterwards known as Unions, Central Banks and Central Banking Unions) to finance and control the original credit societies, and these central agencies, like the non-credit societies above mentioned, ran all the risks attendant on a status unprotected by legislation. These and other developments had so far outrun the anticipations of the framers of Act X of 1904 that Registrars found difficulty in dealing under its provisions with the state of affairs, which began to present itself. The Government of India re-examined the whole question and decided that the position could be best met by entirely fresh legislation. In 1912 they passed into law the Co-operative Societies Act (II of 1912) which regularised many practices which had previously been of doubtful validity and made provision for further expansion under safeguards. In publishing the act, the Government of India also issued a circular letter explaining clearly the

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new features which characterised it. Co-operative Associations for other purposes besides credit were allowed. The old distinction between rural and urban societies was swept away, and more scientific distinction based on the nature of the liability of members, whether limited or unlimited, was adopted in its place. The registration of Unions, Central Banking Unions and Central Banks was for the first time expressly legalised. A number of minor improvements with regard to registration, audit, and similar administrative details were at the same time introduced; but the act remained silent on the subject of the provision of liquid resources to meet liabilities.

The immediate effect of the act was to infuse fresh energy into the movement. The number of societies in British India had by 1914 increased to 14881, the number of members to 6,95,998 and the working capital to Rs. 7,45,31,725. New types of societies for the sale of produce, cattle-insurance, milk-supply, yarn, silk and manure purchase, and the retail of farm implements and common necessaries, had been registered and in most cases seemed to be prospering. The number of central institutions was growing rapidly and the confidence of the public was being won in greater measure every year. In 1914 the government held that the time had come to take stock of the position, and on the 17th of June of that year issued a comprehensive resolution reviewing the progress that had been made and laying down in general terms the practical

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lessons that might be drawn from experience up to date. But the sums involved in the movement were becoming very large, the arrangements for financial management in the stages above that of the individual society were becoming complicated, and the principles for the conduct of business, inspection and audit remained indefinite and uncertain. It was felt by Government that it could not take the responsibility of fostering and supporting further growth, unless it was satisfied that the movement was proceeding on lines' economically and financially sound. It was to enquire into and report on this aspect of the question that the Maclagan Committee was appointed by a Resolution of 8th October 1914 and the reference made to it was expressed in the following words :—“ The primary duty of the Committee will be to examine whether the movement, especially in its higher stages and in its financial aspect, is progressing on sound lines and to suggest any measures of improvement which seem to be required. For this purpose the enquiry will be directed primarily to an examination of such matters as the constitution and working of Central and Provincial Banks, the financial connection between the various parts of the co-operative organization, the audit, inspection and management of all classes of societies, the utilization of the reserve and the manner in which reserve funds should be exhibited in the annual accounts. At the same time the Government of India do not desire rigidly to limit the scope of the enquiry,

and

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and the Committee, may, at its discretion, consider and make recommendations regarding any important aspect of the co-operative movement." The committee submitted their Report in 1915, and we may with confidence say that the co-operative activity in India at the present day is governed in the main, by the Act of 1912, as interpreted by the Maclagan Committee in its details.

CHAPTER III

CO-OPERATIVE ORGANIZATION

Classification of Co-operative Activity

In India, as in those European countries where conditions are similar, the foundation of the whole structure of co-operative activity has been the credit society, but with the development of co-operative spirit other forms of co-operation have made their appearance and been recognised by law. The broadest distinction between the co-operative societies in India may be made with respect to the liability of their members and the Law divides the societies into those of limited and of unlimited liability. In societies in which the liability is limited members are not liable to lose their all in default of payment by other members. Their liability is defined and they do not run risks beyond that. The limited liability is liability limited to either (a) the unpaid portion of the share or shares held, or (b) the unpaid portion of a stated sum which is usually a certain multiple of the face value of each share. In the latter case, each share carries an extra liability, and every member is liable not only for the face value of the shares he holds, but also for an additional amount proportionate to such shares as laid down in the by-laws. Thus in limited-liability societies in the United Provinces the liability of a member is twice the face value of his shares ; while, in the Punjab it is limited to a multiple of the face value of a share from three to ten.

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In societies with unlimited liability a member may be called upon to make good the loss, if there be a deficit in the society at large, though caused by the default of others. However, the Maclagan Committee suggested that the meaning of unlimited liability should be interpreted as of "contributory unlimited liability" i.e., where there is a deficit in the engagements of a society to its creditors this deficit should, after the full payment of shares, if any, be recoverable by a series of *per capita* levies upon the members. Broadly speaking, societies organised in villages are based upon unlimited liability, and town societies on limited liability. There are, however, some societies with limited liability in the villages and some societies with unlimited liability in towns. The former generally are societies with functions other than credit, and the latter are societies where for special reasons the members are so intimately connected by proximity, occupation or caste, that, in spite of their urban character, they are prepared to accept unlimited liability. However, making a general statement, we may say that nearly all societies, which have been organized for objects other than credit, as well as all the higher forms of co-operative organizations such as the ~~Union~~, the Central Bank and the Provincial Bank, have limited liability as their basis.

The above distinction based, as it is, upon the liability of members is far too inclusive, and would cover all the various forms of co-operative activity ; we, therefore, need

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some other suitable basis of classification. One such basis of classification that suggests itself to us is the nature of activity, and we may classify societies as has been done by the MacLagan Committee into (1) Credit, (2) Purchase and Sale, (3) Production, (4) Production and Sale, (5) Insurance and (6) Others. This is the classification, which, at the instance of the Government of India, has been adopted by the various Provincial Governments for publishing returns of co-operative activity in their respective provinces. The returns based on the above classification, though admirable in some ways, unfortunately fail to give an idea of the true development of co-operation in India in certain important directions. As it was to be expected, many a co-operative credit society has found it necessary to add to its original function of providing safe and cheap credit such other functions as purchase, or sale, or production of things in common, or a combination of two or three of these functions together. It would appear that at present all such societies are classed as credit societies and as such fail to give an adequate idea of their sphere of influence. If, however, we could introduce in our published returns other sub-heads such as (1) Credit and Purchase ; (2) Credit and Sale ; (3) Credit and Production ; (4) Credit, Purchase and Sale ; (5) Credit, Production and Sale and (6) Credit, Purchase, Sale and Production, much of the present ambiguity would disappear and we would get a better idea of the progress of co-operation in various directions.

Credit and

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We may again classify societies according to the nature of their clientele such as (a) agricultural and (b) non-agricultural: (a) when the majority of the members of the society are agriculturists and (b) when the majority of them are weavers, carpenters, fishermen or members of any other non-agricultural classes. This again would cover all the various forms of co-operative activity. Or we may classify societies according to their area of activity such as a village society or rural society, and a town society or an urban society. And again we may classify societies according to the area of their activity and control such as (a) primary, (b) central, (c) district and (d) provincial.

In practice, however, we find a combination of these various bases giving us the following classification of co-operative activity :—

(1) Primary agricultural :—

- (a) Credit.
- (b) Purchase or Purchase and Sale.
- (c) Production.
- (d) Production and Sale.
- (e) Insurance and *(Leisure)*.

(2) Primary non-agricultural :—

- (a) Credit.
- (b) Purchase or Purchase and Sale.



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- (c) Production.
- (d) Production and Sale.
- (e) Insurance, etc.

It is only the credit co-operation that has developed to an appreciable extent in India, and it is mainly in this form of co-operation that we find forms, higher than the primary unit, universally developed and well organized. Thus both primary agricultural credit societies and primary non-agricultural credit societies are combined to form what are called central banks, and these central banks into provincial banks in most of the provinces, and there is a talk of having a federation of the provincial banks to give us an All-India Co-operative Bank. The Non-credit Co-operative Societies are in some cases combined into central organizations for purposes of control, supervision and finance. But broadly speaking, we may say that at present they are linked to the higher credit organization for these purposes. The table in the opposite page gives the various members of the co-operative family arranged in their order of relationship as well as the numbers belonging to each kind and sub-kind.

Primary Co-operative Society

Having studied the classification and the general relationship of the various forms of co-operative activity, we may now pass on to give a general idea of the organization of the individual members of the co-operative family.

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First in our co-operative family stands the primary society. The primary societies are of various kinds such as (1) the Credit, (2) the Credit and Purchase, (3) the Credit and Sale, (4) the Credit, Purchase and Sale, (5) the Credit and Production, (6) Credit, Production and Sale, (7) the Credit, Production, Purchase and Sale, (8) Production, (9) Purchase, (10) Sale, (11) Production and Sale, (12) Purchase and Sale, (13) Special types, e.g., Cattle-Insurance, Cattle-Breeding, Consolidation of Agricultural Holdings, Housing and so forth. At present, though these various kinds of primary society are met with in India, the general principles underlying the constitution of all these forms, and the general principles governing their working, as well as, the broad lines of policy guiding them all are essentially the same. And as the foundation of the whole structure has been the credit society, naturally, all other forms have developed on the lines originally adopted for the co-operative credit society. We would do well, therefore, to begin with the study of those general features which are common to all the various forms of primary societies and then point out the peculiar features that may be the distinguishing characteristics of that particular form, which may be under our consideration.

consideration

{ With the above classification in view, we may define a primary co-operative society as a body of ten or more persons, who combine in order to attain a given end, be it

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credit, purchase of household commodities, or the selling of farm or industrial produce, on more favourable terms than each of them could hope to secure individually.

Constitution

The constitution of a co-operative society is perfectly democratic. All the members of the society form the General Meeting. Each member irrespective of the number of shares or office held in the society, has one vote and voting by proxy is not allowed. For carrying on day to day administrative work, the General Meeting, at its annual sitting, elects a Managing Committee out of the members. The Managing Committee consists of three to ten members with one of them as Chairman or Sirpunch. The daily work of the society is carried on by the Secretary, who may be a member or a paid outside man. Besides the Secretary, sometimes, one of the members is elected as the Treasurer, whose duty it is to take charge of incoming and outgoing funds of the society. In some provinces, notably Burma, Assam, and Bihar and Orissa, in addition to the Managing Committee, there is another committee known either as Supervision Committee or as Board of Controllers. The duty of this committee is to keep watch on the work of the Managing Committee.

General Meeting

Every society must hold every year at least one general meeting called the Annual Meeting. Any other general

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meeting may be called by the *Sirpunch*, or by a specified number of members of the *Panchayat*, or at the written request of a specified number of the members of the society, or by the Registrar. The presence of a specified number of members is necessary to form the quorum. Thus, in the Central Provinces, one-half of the members of the society form a quorum, while in Bengal one-fifth. At the annual general meeting (1) the *Panchayat* and (2) the office-bearers such as the Secretary and the Treasurer are elected for the ensuing year; (3) the annual Balance-Sheet and the report of the *Panchayat* thereon is considered, and confirmed; (4) the use to be made of the reserve fund is determined, a dividend, if the society is organized on a share basis with divisible profits, is declared, and the disposal of the profits otherwise is directed; (5) the maximum amount of cash balance that may be kept by the Treasurer for more than a specified period is determined; and (6) the maximum liability to be incurred by the society during the ensuing year is fixed.

At meetings other than the annual general meeting (1) the proposals of the *Panchayat* on the inspection and audit report of the Registrar are considered; (2) casual vacancies in the *Panchayat* of other office-bearers are filled up; (3) proposals for the removal of the *Sirpunch*, or for the expulsion of any member are considered; (4) other proposals from the *Panchayat* are considered, confirmed or modified; (6) the bye-laws, subject to the confirmation

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of the Registrar are made* or amended, and (7) the audit and inspection reports from the Registrar and other supervising officers are considered.

As it is the duty of the general body of members to keep itself informed of the progress of the society's work, it is laid down that the general body shall consider the report prepared by the *Panchayat* of the working of the society to be sent to the Registrar. Again it is obvious that no bye-laws should be altered without the approval of the general body since an amendment of the bye-laws may mean an alteration of the constitution of the whole society. And the further check that an amendment cannot come into force until it has been approved and registered by the Registrar is to ensure that amendments conform to the Act and the Rules, and are in accordance with the

* A society can make bye-laws in respect of the following matters : viz., (1) the name and registered address of the society ; (2) the area of its operations ; (3) the objects for which the society is established ; (4) the qualifications required for membership and the terms of admission of members ; (5) the rights and liabilities of membership ; (6) the manner in which capital may be realized ; (7) the mode of appointment and removal of the committee and officers of the society, and the duties and powers of such committee and officers ; (8) the mode of summoning and conducting meetings and the right of voting ; (9) the keeping of accounts ; (10) the general conduct of the business of the society ; (11) the disposal of profits (12) the imposition or fine and forfeitures on members and ; the consequences of the non-payment of any sums due by members to the society ; and (13) the authorization of any member or members to sign documents on behalf of the society.

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principles of co-operation. Finally it is but right and proper that the general body alone should have the power of expelling an undesirable member and that the general body alone should be entitled to adjudicate on all complaints against the *Panchayat*.

The Managing Committee

The Managing Committee or the *Panchayat* as it is called in some provinces, is elected by the General Meeting, at its annual sitting and consists from three to ten members. All these are elected for one to two years and are removable only by a majority of the members present at a General Meeting. The individual members of the *Panchayat* are eligible for election. Vacancies occurring during the year are filled either by the Committee itself as in the United Provinces, or by the General Meeting as in the Punjab. In some provinces there is an age limit below which no person can be elected to the Managing Committee. Thus in the Punjab no member can be elected to the Managing Committee unless he is 21 years of age. It is a mistake to make the period for which the *Panchayat* holds office too long. It is desirable that there should be reasonably frequent opportunities for the general body of selecting new *Panches* so that all good men in the society may have an opportunity of serving on the *Panchayat* at one time or other, and thus get an insight into the working of the society. If frequent changes are not made, generally

opportunities

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it results in one or two members acquiring a predominating influence in the *Panchayat*. This is directly against the co-operative spirit. In a co-operative society, it is very important that the *Panchayat* should act as a joint body and should not permit or encourage one member, whether it be the President or the Secretary or any body else, to do the work instead of the *Panchayat*. In some provinces, notably Bengal and the Punjab, if a member of the Managing Committee fails to attend more than a specified number of meetings consecutively, the other members of the Committee can appoint another in his place.

Functions of the Managing Committee

The *Panchayat* has the following duties and powers which are common to all the provinces and the various forms of co-operative societies :—

- (1) to fix the rate or rates of interest on loans to members, or to fix the rate at which other services are to be done for the members by the Society ;
- (2) to borrow money on behalf of the society, whether by loans or by deposits, and to repay such loans or deposits ; *deficit*
- (3) to recommend the expulsion of a member to the General Meeting ;
- (4) to accept the resignation of a member ;

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- (5) to deal with applications for loans or other services and to accept or reject sureties for loans ;
 - (6) at every monthly meeting to examine and check the accounts and verify the cash-balances ;
 - (7) to supervise the punctual repayment of loans and make proper arrangements for their recovery ;
 - (8) to see that the loans are applied to the purpose for which they were granted ;
 - (9) to fix dates for the repayment of loans ;
 - (10) to extend the time for the payment of instalments of the loans ;
 - (11) to call the General Meeting ;
 - (12) to submit to the annual General Meeting a balance sheet and a report on the working of the society for the preceding year ;
 - (13) to make proposals to the General Meeting for the disposing of profits ;
 - (14) to receive applications for membership, and
 - (15) to prepare a forecast on such days as may be fixed by the central or the district bank, showing (a) the probable realizations from the members during the next three months, (b) the probable loans that will be required by members during the same period, (c) the
- the central*

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amount of local deposits that will be repayable during the same period, and (d) the probable amount of loans that will be repaid to, or required from the central bank, during the same period. This forecast is first placed before the next ensuing General Meeting for confirmation or modification before being sent to the central bank. And last of all to prepare the *Haisyat* Register of each individual member.

Besides these, in societies with shares, it is the duty of the Managing Committee (1) to determine the number of shares to be allotted to each individual member, (2) to arrange for recovery of share instalments, and (3) to issue new and to transfer old shares.

The Managing Committee in Relation to the General Meeting

The *Panchayat* is, however, only the agent of the General Meeting, and must obey all instructions issued to it by the general body. And indeed, since every member of the society is liable in common with others for all the debts of the society, it is obviously the ~~duty~~ of all the members and of the general body to see as far as possible that the business of the society is properly managed. Each member must feel that the society is his own, and that he must always be loyal to it and to its interests, and that he must on no account do anything which will cause loss to it.

duty

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It must have been noticed from the study of duties and powers of the General Meeting and the Managing Committee that the Committee is not placed beyond the control of the General Meeting. First of all, it is the General Meeting that elects at its annual meeting the Managing Committee. Then it is the General Meeting that passes the *Haisyat* Register and assesses the loanable capacity of each individual member, beyond the limits of which the Managing Committee cannot lend. At the same time, the General Meeting fixes the total borrowing power of the society. Besides these limitations, the General Meeting keeps its control over the Managing Committee in all important cases, such as the expulsion of a member or the removal of an elected officer of the society. Looked at from an administrative point of view, this arrangement is highly satisfactory, as it ensures sufficient freedom of action to the Managing Committee,—the chief administrative body in a co-operative society—and at the same time, by clearly defining the limits within which it is to work, ensures the safety of the society, and reduces the chances of loss and friction to a minimum.

The Board of Supervision or Controllers

In some provinces, ~~such as~~ Bihar and Orissa, Bengal, Assam and Burma, besides the Managing Committee, we have a committee or a group of members known as the Board of Controllers or Committee of Supervision. In Assam, this group is called Controllers. The duty of this

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committee is to keep watch on the work of the Managing Committee. Generally not more than four members, who are not members of the Managing Committee, are appointed by the General Meeting. If no suitable members are found non-members may be appointed with the approval of the Registrar. They hold office for two years. Their duties are to check the accounts of the Committee at least once a quarter, to verify cash in hand as often as possible, and to test and sign the annual balance sheet. The Managing Committee are bound to produce all documents and accounts and to give any available information when required. In Burma, the Committee of Supervision is found only in limited liability societies.

In Bihar and Orissa, in unlimited liability societies, we have a body of supervisors appointed by the General Meeting ; while, in limited liability societies, both in Bihar and Orissa, and Bengal, we have three auditors appointed by the General Meeting ; their duties being confined to the auditing of accounts of the society once a quarter. After auditing they give a certificate that they have duly audited the books of the society ; and incorporate in the certificate all defects noticed by them. These certificates form a part of the annual report which the Managing Committee submit ~~Managing~~ to the annual General Meeting.

Such a board of supervision is found in Europe, but in India it has not been tried on a large scale, and where tried it is reported to be unsuccessful. The Maclagan Com-

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mittee who considered the question have stated that it is hard to find in an ordinary society sufficient men suitable to serve as supervisors in addition to those required for the Managing Committee and when men are found they are generally of an inferior calibre to those whose work they are intended to supervise. For this reason they did not advocate the extension of the supervising committee into other provinces.

The President

The President is usually elected by the Annual General Meeting. Generally, he is also the chairman of the Committee, but, sometimes, as in societies with limited liability for salary earners and mill-hands, the President of the society is the head of the office or the manager of the mill as the case may be. In some provinces, notably, in Bombay and Assam there is no president of the society. The members present at a General Meeting elect their own chairman. But the Managing Committee have their president and in some provinces such as Bengal and Madras, he is also the president of the society. The duties of the President are to preside at the meetings of the general body and the Managing Committee, to supervise the administration generally and to summon through the secretary the General or the Committee Meetings whenever necessary. Besides this, in provinces, where there is no treasurer, he takes charge of the cash balances also. President, like other members, has one vote but in case of equality of

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votes he has a casting vote. Generally on all documents the President has to sign either singly or in combination with the secretary, or the treasurer, or some other member of the Managing Committee on behalf of the society. The society sues and is sued in the name of the President.

The Secretary

The Secretary is the chief ministerial officer of the society. He may be a paid outside man or a member of the society. If a member of the society, he is generally appointed by the General Meeting. If an outside man, he is usually appointed by the Managing Committee. If he is not a member of the society as well as a member of the *Panchayat*, he is not permitted to receive old debts or disburse any money, or other property of the society. His duties are to summon, whenever required by those who have the authority to do so, the General Meeting and the Managing Committee meetings, to attend them and to keep their minutes. Besides these, he has to keep up-to-date and accurately all account books of the society. It is he who prepares all receipts and vouchers and other documents required for the transaction of the business of the society.

The Treasurer

The treasurer is not found in all the provinces of India. In some provinces such as Bombay and Burma the President is *ex-officio* treasurer also. Where he is appointed

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he takes charge of all moneys received by the society and makes all disbursements in accordance with the orders of the *Panchayat* and generally signs all receipts and other document on behalf of the society.

Membership

Membership in a co-operative society is open to any person of good character, of sound mind, who is above the age of 18 and who resides or carries on any trade or business in the locality in which the society is situated, or belongs to that particular caste, community or trade for which the society has been organized, and who is not member of any other society, the liability of which is unlimited. All persons who sign the application for registration and who fulfil the above conditions are classed as original members. People other than these are elected by the vote of the Managing Committee of the society as fresh members. Although it is a characteristic of co-operative societies that they cannot put any arbitrary limit to the number of their members and this is a legal condition to registration and enjoyment of privileges, yet in order to ensure smooth working the maximum number that can belong to an individual society is fixed in some provinces. Thus in Bombay in an unlimited liability society the maximum number is fixed at 100; while, in the Central Provinces, the number for the same kind of society is 50.

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In selecting new members to a society, usually the chief consideration should be the character of the recruits. Societies are liable to fail if the members are not honest and hardworking and if they cannot be relied on to do their duty to the society and their fellow-member. It is not necessary that the members should be persons of property. No man should be refused admission merely because he is poor.

Obligations of Membership

In all provinces except Burma and the United Provinces a member has to pay a small entrance fee. Besides this, in societies with shares, each member has to take at least one share. But the maximum varies and is generally decided by the Managing Committee for each member.

Withdrawal of Members

A member can withdraw after giving notice before a prescribed period which varies from one month to six months, provided he is not in debt to the society or is not surety of an unpaid debt.

Expulsion of Members

A member of a co-operative society can only be expelled for certain specified reasons such as when he drives the society to court to recover a loan granted to him or when a member wilfully deceives a society by false statement or when he does something, which, in the opinion of the

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Committee, is likely to be injurious to the credit and the reputation of the society. Generally it is the General Meeting that can expel a member. The Managing Committee has the right of recommending expulsion. As in Bengal, Bihar and Orissa even where the Managing Committee has the right to expel a member it is subject to the confirmation of the General Meeting, which must be called within a specified period of the verdict.

Claims of a past Member against the Society

A person on ceasing to be a member of a society is entitled to receive the money that he may have paid towards the purchase of a share or shares, after deducting the amount due by him to the society. He has no claims against the Reserve Fund or any other assets of the society.

The Liability of a past Member

The liability of a past member for the debts of a society as they existed at the time when he ceased to be a member continue for a period of two years from the date of his ceasing to be a member. The estate of a deceased member is liable for a period of one year from the time of his decease. Any register or list of members or shares kept by any registered society is a *prima facie* evidence of any of the following particulars entered therein:

- (a) the date at which the name of any person was entered

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as a member and (b) the date at which any person ceased to be a member.

Resources

The capital of the co-operative societies is generally composed of the following items :

- (1) Shares, *only in societies organized on a share basis* ;
- (2) Deposits from members and non-members ;
- (3) Loans from members, from non-members, from Central Bank or from Provincial Bank or from the Government ;
- (4) A Reserve Fund, and
- (5) Fees in all provinces except Burma and the United Provinces of Agra and Oudh.

In some provinces there is another item of 'donations' but it does not seem to play a considerable part in the resources of the society.

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WORKING CAPITAL BY PROVINCES FOR 1923-24

Provinces	LOANS AND DEPOSITS HELD AT THE END OF THE YEAR FROM					Reserve and other sources	TOTAL.
	Share capital paid up	Members	Societies	Provincial or Central Bank	Government		
	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)
Madras	1,14,50	36,32	33,52	3,61,20	7,88	2,53,73	34,33
Bombay	76,96	1,36,52	79,72	1,01,88	20,71	1,71,59	32,29
Bengal	68,03	40,11	7,13	1,73,59	27	1,72,93	44,20
B. and Orissa	20,54	7,19	2,10	1,34,00	3,34	1,01,11	18,86
U. P.	39,87	4,83	1,99	48,92	4	47,31	24,35
Punjab	67,46	30,89	23,44	1,85,41	.9,32	1,54,49	78,72
Burma	81,33	10,60	9,28	1,26,59*	17,54	1,22,95	49,01
							4,17,30

WORKING CAPITAL BY PROVINCES FOR 1923-24

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Provinces	Share capital paid up	LOANS AND DEPOSITS HELD AT THE END OF THE YEAR FROM				Reserve and other	TOTAL. Rs. (1,000)
		Members	Societies	Provinces or Central Bank	Government		
	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)
C. P. & Berar ...	27,57	3,66	20,56	5,64	98	1,10,31	35,73
Assam ...	3,45	4,23	1,36	55	25	8,74	3,78
Coorg ...	1,52	14	5	11,60	3	86	95
Ajmere-Merwara	5,81	42	15	... ..	2	16,07	4,79
Hyderabad Administered Area	1,06	69	15	2,64	..	72	3
Delhi ...	46	2	1	5,27	12
TOTAL (BRITISH-INDIA).	5,08,56	2,75,52	1,79,46	12,97,41	60,38	11,66,08	3,27,16
							38,14,57

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The Share-system

The main security of an unlimited liability type society is the mutual guarantee, while, in other societies the security generally depends upon the share capital. This does not mean that there is no use for share capital in unlimited liability society. The Committee on Co-operation appointed by the Central Provinces Government in February 1925, remark in their report "Now it is a matter of common knowledge that members do not take sufficient interest in the affairs of the society. The conception of a society as a corporate body for the welfare of which every member should strive to the best of his ability is absent. This being so, any measure which can stimulate the interest of members in the management of a society and create and foster in them a sense of responsibility for their good name and sound working should be welcome. We think that a system under which members will hold shares in their societies and the latter in the Central Bank and under which some portion of a share capital will remain as the working capital of the society is likely to encourage members to participate more actively in the management of the business of societies. This has been the experience of other provinces in India and particularly of the Punjab. Further such a system combined with the utilization of a major portion of the reserve fund in the working capital will result in rapid accumulation of the owned capital of a society and then it would be possible to reduce rates of interest charged

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from members. Again, under the share system, members would obtain gradually an increasing control over the working capital and therefore the financial management of their society. This will have an excellent educative effect and would tend to develop in them those economic and moral virtues, the promotion of which is the *raison de' etre* of the co-operative movement." Moreover, the aim of co-operation is not merely to enable its members to secure a certain service cheaply but also to enable them to learn the habit of saving and thrift, and to subscribe to the share capital of the society is a convenient way of saving.

Deposits

The distinction between a deposit and a loan is that a deposit is money offered to the society on terms fixed by the society, while, a loan is money taken by the society on terms fixed by the creditor. All societies, therefore, should aim at securing as much deposits as possible. In a sense, the extent of the money deposited in a society by members is an indication of the success of co-operation amongst the members, just as the extent of money deposited by non-members is an indication of the financial stability of the society and the resulting confidence inspired in the public mind. One thing, however, should be kept in mind and it is that deposits should not, as a rule, be taken from people living away from the neighbourhood of a society. It is not desirable to take deposits from people who know nothing of

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the working of the society. The acceptance of large deposits from such people has on several occasions placed both the society and the depositor in a difficult position. Members should be specially encouraged to deposit so that they may feel that they are helping the society and may also acquire the habit of making savings of their own. It should be remembered that only in the beginning saving is difficult. The Canarese have a proverb '*hallu ma duvudu niminda malte bele yuvudu tannindu.*' (If you will make ten I will make the rest). If a man once acquires the habit of saving he will not find it difficult to continue saving regularly.

Loans

Speaking generally we may say that it has not been possible for co-operative societies specially in the rural areas to raise sufficient money to meet the needs of their members by way of local deposits. It is usual, therefore, for the societies to borrow the remainder of their requirements either from the Central Bank, or where central banks do not exist from the Provincial Bank and from the general public also. However, most of the societies are affiliated to one central bank or another or deal directly with the Provincial Bank and generally borrow from the society to which they are affiliated and from no other source.

Reserve Fund

The reserve fund is built up firstly as security for outside creditors and secondly to enable the society to dispense

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with the aid of these. Generally, societies utilize their Reserve Funds in the working capital of the society but when so utilized it is taken as a loan from it and at the close of the financial year, the amount taken is again credited to the Reserve Fund with interest on it. The greater the reserve fund built up by a society the less it should depend on outside agencies for securing its working capital and naturally lower the rate of interest that it can afford to charge from its members. All societies, therefore, should aim at building up a goodly reserve fund.

Entrance Fees

It is reasonable to charge a small entrance fee from the members, because it makes the people applying for admission regard admission as a privilege. Generally, when a thing is got easily without expenditure of time or money it is not valued at its true worth. It is also found absolutely necessary in organizing a society that a fund of some sort should be raised to meet the preliminary expenses of organization. This is done by having a system of small entrance fee.

Profits—How disposed of?

No registered society can divide profits unless it holds one-fourth of its net profits in a Reserve Fund. In societies which have no share system or which are organized on indivisible profit basis, the whole of the net profits is held in the Reserve Fund. In societies with shares and divisible

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profits, after carrying one-fourth to the Reserve Fund, the remaining three-fourths may, with the sanction of the Registrar, be divided as dividend or bonus to the members. The societies, may, devote an amount not exceeding 10% of the 75% of the net profits to any charitable purpose in the neighbourhood.

Reserve Fund—How utilized?

Whatever the type of a co-operative society it must carry at least 25% of its net profits to its Reserve Fund, unless the Local Government has sanctioned a departure from this, e.g., in Thrift Societies in the Punjab only 5% goes to the reserve and the balance is distributed over savings (which receive a fixed interest). Besides this, in societies which are organized either without shares or with shares but indivisible profits, the whole of the net profits go to the Reserve Fund. In addition to this, all fees, fines, forfeitures of shares go to swell the Reserve Fund. The Reserve Fund cannot be distributed as dividend or as bonus on shares. Its chief function is to meet unforeseen losses and to serve as an asset of security in borrowing. It is generally utilised in carrying on the business of the society but then the money that is taken out from it is taken as a distinct loan by the society. If it is not so utilised then it must be invested either in some securities approved of by the Registrar or deposited in the Central Bank. The purpose of the Reserve Fund is not only to provide the society with

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a permanent pledge on which to obtain credit but also to build up a fund of its own to be utilised as working capital of its own. It is the permanent and indivisible fund of the society. In the event of dissolution it is generally not shared amongst the members but is usually available for discharging the liabilities of the society either before or after the enforcement in full of the liabilities of the individual members.

CHAPTER IV

PRIMARY CO-OPERATIVE CREDIT

There are two main varieties of primary co-operative credit societies: (1) The Agricultural Bank; and (2) The Non-agricultural Bank. But the difference of nomenclature does not exhaust the points of difference between the two. To begin with nearly all agricultural banks are of unlimited liability and the area of influence of one bank is confined to a village. While, the non-agricultural banks may be of limited liability and their clientele may be more or less spread over a wider area than that of a village. With these broad distinctions between agricultural and non-agricultural banks, we may now begin the study of the peculiar features of a village bank.

SECTION I—*The Agricultural Bank*

As already noted agricultural societies are generally confined to a village. Societies extending over a larger area are apt to lose the qualities of proximity and mutual knowledge, which are of such primary importance in societies of this kind, organized as they are on the unlimited basis. On the other hand, village sentiment is ordinarily opposed to dividing a village by having more than one society in it. Sometimes it happens that a village is automatically divided by caste or occupation or otherwise, and then it is not possible to put in all sections into the same society. In such cases it has been the practice to recognize facts and

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to organize more than one society in one village. Or again, as in the Punjab, where a large village is divided into *Taraps* or *Pattis*, it is usual to have one society for each *Patti*.

The law lays down that agricultural credit societies should have unlimited liability. This of course sounds rather a serious matter. But in the first place, it is necessary to incur this liability, and in the second place, the danger can, with care, be adequately provided against. It is necessary because the outside public will not lend without proper security and because the stronger the security the cheaper can the money be obtained. Unlimited liability would not be necessary if the members could susbscribe a large share capital but this is not possible in village societies. The public is very well aware that the liability of the members towards the losses of the society extends over their (members') entire, individual and personal property. Consequently, it feels sure that the society will take special care of any sums lent to it and also be careful in effecting prompt repayment of loans from its members. For these reasons, unlimited liability provides the best security for a village society. Nor is unlimited liability after all dangerous if only the members thoroughly realize the danger. Since if a man realizes his danger, he usually takes special care to see that it does not become a reality.

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In India, we have three varieties of the village banks : (1) *The original Raiffeisen type with unlimited liability, no shares and no dividends.* This variety is met with in Assam, Central Provinces, Bombay Presidency, the Punjab, Bihar and Orissa and Bengal. (2) *The later Raiffeisen type with unlimited liability organized on a share basis but no dividends.* Societies of this variety are found only in the Punjab, Burma and the Central Province. And (3) *Societies with an unlimited liability organized on a share basis and dividends.* These are found in the United Provinces, the Punjab, Assam, Bengal, Bombay (in Sindh only), Bihar and Orissa, Burma, Madras and Coorg.

Shares in a society with unlimited liability are not shares in the sense used in joint-stock companies. In the latter, the shares compose the joint stock and they are the measure of the holders' interests in the company, as well as, of their liability. In unlimited liability societies this is not the case. The share is merely a portion of the unlimited liability which is called up (1) to meet possible loss by payment in advance of the loss occurring, (2) to give financial stability to the society, (3) to promote thrift, (4) to quicken the building up of an adequate reserve and (5) to give to members the idea of owning a society.

Of these three varieties, the first has the largest number to its credit, but the third is the one, which most

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of the provinces, after a long experience with the shareless type, are now adopting. This is the type which is widely adopted in the United Provinces and the Punjab. In both these provinces payment towards each share is to be made in ten yearly or twenty half-yearly instalments and each member must begin to pay from the first his instalments towards the shares allotted to him. A member admitted after the first year has to pay all instalments together with the prevailing interest before he can exercise any of the rights of membership. Profits are not divisible before the completion of ten years. In the Punjab, the shares are withdrawable without profits after ten years from the date of registration of societies, while, in the United Provinces, it is not so.

In the second type, which had its origin in the Punjab and was specially designed for the Muslim community, who have religious objections to receiving interest, and which was subsequently adopted in Burma, there are two varieties: one, in which shares are not returnable, and the other in which shares are returnable after a stated period of time. This is the type which has been very recently adopted in the Central Provinces and which I look upon it as the best type suited to the conditions of rural life in India. The system in which profits are divisible tends to promote greed and create opposition between borrowing and non-borrowing members and is obviously unfavourable to the growth of true co-operative spirit. They have

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sought to mitigate this evil by limiting the rate of dividends.* But there are other difficulties. If profits are made divisible from the beginning, as in Madras and Bihar and Orissa, owned capital in societies accumulates far too slowly and the main object of introducing shares into the society is defeated to a certain extent. If profits are indivisible for ten years as in the Punjab and Bombay and a portion of the accumulated profits is divided at the end of the period, it is difficult to arrange for the admission of new members during the currency of the decennium. Either they have to pay the same number of instalments on shares that have been collected from other members up to the date of their admission together with interest, or they start the ordinary instalments like the original members and at the final distribution submit to a proportionate reduction in their share of profits. The former plan which is adopted in the Punjab tends to keep out poorer members, and the latter, which is in force in Bombay, is complicated and involves more difficult calculations than an average society-secretary can undertake. For these various reasons, they evolved a type of society which is a combination of the indivisible profit type and the returnable share type. And now in the Punjab "opinion is crystallising in favour of shares being returnable but profits

* Madras, not exceeding 6½%: U. P. 10%: Punjab, 10%: C. P., 9%: Bihar and Orissa, 12½%: Bengal, 10%: Burma, 12%: Bombay, 12½%:

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being indivisible for ever. Careful enquiry does not support the idea that the payment of a dividend would stimulate interest among members, as, in actual practice, no appreciable difference is discernible. We have striven to secure a wide adoption of indivisible profits partly in order to avoid the evils of profit-seeking, but chiefly in order to secure a large common fund for the village from which its needs will be met in future."* The other important feature about the second type is the returnability of shares on the expiry of a certain period. In the Punjab the amount of share money is returned to members without profits at the end of ten years and during the currency of this period the share money actually subscribed by the member is returned in case of withdrawal, death or expulsion from the society. It is obvious that the Raiffeisen type with indivisible profits and non-returnable shares as found in Burma has greater stability but the difficulty is that it is not liked by the members, as they tend to look upon the money invested in the shares of such a society as dead and gone. While, if that money is returned to them after a certain period in a lump sum they feel the joy of having saved and this becomes a further inducement to save in future. The system of returnable shares seems to be remarkably suited to develop the instinct of saving as compared to the system of non-returnable shares. And

* *Vide* report of the Registrar of Co-operative Societies, Punjab, 1922-23.

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if people in Indian villages need one thing more than any other it is the development of the instinct for saving and thrift.

In the year 1923-24 we had in all 49,118 village banks in India. They were distributed in the different provinces as follows :

Punjab ..	..	..	9,435
Bengal ..	..	..	8,368
Madras ..	..	..	8,077
U. P. ..	..	..	5,436
Bihar & Orissa ..	..	..	4,994
C. P. & Berar ..	..	..	4,263
Burma ..	..	..	4,211
Bombay ..	..	..	2,857
Assam ..	..	..	642
Coorg ..	..	..	93
Ajmere-Merwara ..	..	..	433

From these figures it would appear that the village bank has made the greatest progress in the Punjab, with Madras and Bengal following close at heels. However these figures by themselves do not give a correct idea of the true development of co-operation in the various provinces. For instance, if these figures are studied in relation to the number of people in the respective provinces we find that the Punjab is the third and that Ajmer is the first. The following table gives an idea of the development in the different provinces, and taking all things into

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consideration, this seems to be the better index of the relative position of the provinces with regard to the development of the village bank.

<i>Province</i>	<i>The number of People amidst whom one Society is found</i>		
	<i>In 1923-24</i>		
(1) Ajmere-Merwara	1,132
(2) Coorg	2,150
(3) Punjab	2,194
(4) Burma	2,778
(5) C. P. & Berar	3,284
(6) Madras	5,113
(7) Bengal	5,581
(8) Bombay	6,755
(9) Bihar & Orissa	6,808
(10) The United Provinces	8,352
(11) Assam	11,838

But looking from the same point of view at the major provinces, even according to this standard, the Punjab is easily the first. Yet another method of testing the working of societies is to be found in repayments. Different methods are adopted in different provinces in this connection. Some compare repayments made towards principal during the year with the amount outstanding against the members at the beginning of the year. Some compare repayments made by the members during the year with

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the total amount outstanding against the members at the beginning of the year together with the loans disbursed during the year. Others compare repayments made by the members both towards the principal and the interest outstanding against the members at the beginning of the year. But to me all these methods appear to be more or less ineffective to give us a true idea of the development of the spirit of co-operation, which can only be judged by finding out the attitude of the members towards their societies. If they look upon their societies as their own, and understand the working of the institution, then and then only the movement can be pronounced a success.

SECTION II—*The Urban Bank*

It was to be expected that in a great agricultural country like India co-operative credit in rural areas would develop first and this it did, and is even today the most important branch of co-operative activity. But there was the need of growth of co-operation in her towns and cities as urgent as in the villages. We have noted* the organization of indigenous credit in rural India and seen how insidiously it tends to sap *the life-juice* out of the people it caters for. The same is true of the organization generally met with in the cities, as we shall presently see. The people, who very often seek credit in the urban areas,

* *Vide Ch. I, Introductory.*

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may be roughly divided into seven classes: (1) the labouring classes, who get their daily, weekly or monthly wages; (to this class we may also add the *ekka-valas* and the *tonga-valas* and the domestic servants); (2) the artizan class (such as the cobbler, the shoe-maker, the carpenter, the potter, the bricklayer and so forth); (3) the hawkers and the pedlars; (4) the small shop-keepers retailing their wares to the petty consumers; (5) the big merchants and traders; (6) the wholesale dealers and (7) the clerks.

To satisfy the credit needs of these various classes we usually find the following agencies in the urban areas:

(1) *The Modern Bank*. It is usually a branch of the Imperial Bank of India or of some joint-stock bank. These have nothing to do with the majority of our clients and deal mainly with the big merchants and traders, and the wholesale dealers, who have established their name in the business world and whose credit is above reproach. To these people a modern bank allows accommodation in the shape of cash credit on approved security as well as by discounting their bills of exchange, *hundis*, drawn upon one another. But leaving the big commercial centres apart, the Indian merchant and trader prefer to have their *hundis*, discounted by some local magnet—a big *Seth* or *Shroff*.

(2) *Seths and Shroffs*. Besides discounting *hundis*, they also lend on hand bills and promissory notes to the trading classes in general, as well as, to such other credit-

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worthy people as landlords, minor *shroffs* and *mahajans*. (3) *The Shroff and the Mahajan.* These deal directly with all the remaining classes. To the clerical class they usually advance money on promissory notes, while, to the artizan class they lend sums either on the *kist system* or on the *girvi system* (*the pawn system*). To the hawker and the pedlar, they give on a peculiar system, where the money is given in the morning and taken back by the evening with a pice or two pice a rupee as daily interest. I have known cases where they charge even one anna per rupee per day. To the better class of labourers they advance on the *kist system* and to others on the ordinary system, but they charge from one anna to two annas per rupee per month. (4) Besides these, there are *dealers in certain kinds of commodities*, such as *Gazi* and *Ghara* sellers, the fruit and the vegetable dealers, dealers in furniture, baskets and so on, who advance money to the artizans who make these different commodities, and on that charge a high rate of interest, and at the same time bind the producer to sell the finished articles to them at a rate to be determined by themselves. (5) Sometimes, *the petty retailer of daily necessities of life* is found, and this is very common in big commercial and industrial centres, selling his goods to the poor labourers on credit, of course, at rates much higher than the prevailing market rates and then he charges interest at a rate varying from half an anna to one anna per rupee per month. (6) *The factory jobber.* In all big

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industrial centres there are the jobbers, also known as mates or *sardars*, whose business is to secure workers for factories and then to see that they work properly and regularly. The worker when he comes from his native village is generally penniless and finds in the jobber a willing helper ready to accommodate him with a few rupees but for a consideration varying from one anna to two annas per rupee per month. This practice of borrowing money from the jobbers and buying on credit from the petty shop-keeper is further intensified, made almost inevitable, by the custom prevailing in the industrial centres of withholding the wages of the workers for the first month or two to ensure the continuity of service. (7) At the top of all these comes the *Kabuli* with his insidious offer for cloth at the so called cheap rates and "*you may pay whenever you please*". And when he has ensnared a victim his pressure for payment increases with his rate of interest, and the lot of the borrower is really miserable.

To relieve the labourer from the clutches of the jobber, the small dealer and the Kabuli, and equally to relieve the low-paid clerk, the impecunious artizan, and the starving *tonga-vala*, what we needed were the co-operative credit societies, commonly called the urban banks. The name Urban Bank neither implies that urban banks are in no way to supply a rural credit, nor does it mean that agriculturists cannot be members of such societies. There is no hard and fast rule that urban banks should be composed

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exclusively of non-agriculturists, though in practical life they do generally consist exclusively of non-agriculturists. And as these societies are formed mainly to serve the interests of the non-agriculturists, they naturally differ in their general policy and aims, in business methods and organization, and even in spirit, from those organized mainly for agriculturists. The agriculturists of a village form a compact group and the members of the village bank live in daily and hourly contact with each other and this renders the application of the principle of unlimited liability possible. While the members of the urban banks generally do not form groups which are either compact or homogeneous enough to accept unlimited liability for each other's debts. Hence it is found convenient to adopt limited liability as the basis of organization for these urban banks. But this does not mean that all urban banks are organized on the limited liability basis. As a matter of fact the majority of societies in the United Provinces and the Punjab have unlimited liability. But speaking broadly of British India, as a whole, we are justified in saying that the urban bank is generally organized on the limited liability basis.

An Urban Bank with limited liability is formed on the principle of a joint-stock bank. Like joint-stock banks, it raises its initial capital by means of shares, and offers the share capital as security to those who deal with it. The liability of the members is limited and if the bank

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suffers any loss it is to fall on the share capital. It therefore affords a guarantee to the public and the intending depositors that the bank will be managed in such a way that no loss will be incurred, as, otherwise, the members will be the first to suffer.

It may be asked what is the difference between a Joint-Stock Bank and a Co-operative Urban Bank? Although similar in constitution they are radically different forms of association. A joint-stock bank is an association of persons who combine their funds to obtain the largest profits upon them. While a Co-operative Urban Bank is an association of persons who join together not merely to earn profits *but to benefit each other*. The Urban Bank, therefore, is not allowed to lend to anyone except its own members, and they manage the bank.

In a Joint-Stock Bank which is run for the sake of private profit the interests of the borrower and the lender are in a manner opposed, while in a co-operative bank there is no such antagonism, because the borrowers are members and members only, and the interests of the bank are bound up with those of its members, *i.e.*, of its borrowers. To use a common expression "a joint-stock bank is a union of capitals, while a co-operative society is a union of persons." Another important point of difference between a joint-stock bank and a co-operative bank is to be found in their attitude towards the public. A Joint-Stock Bank is

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out to make profit at whom-so-ever's expense it may be, while, a co-operative bank always keeps its doors open for membership to those who are as weak as the old members once were. Yet, another important difference is that in a co-operative bank members are all personally selected for admission and a person must first be elected as a member before he is allowed to hold a share. In other words, membership gives a right to and requires the holding of a share, while, in a Joint-Stock Bank a man becomes a member by virtue of his holding a share. In Urban Co-operative Banks the dividend is often absent or kept low, so that all profits go to the reserve—at least for the first ten years.

In all we have 2,557 Urban Banks in India. Of these, 1,749 are organized on limited liability basis and 808 on the unlimited liability basis. The term 'Urban Bank' covers various organizations which exist for extending credit facilities to non-agricultural classes *e.g.*, People's Bank, Employees' Societies, Society for Salary Earners in the Employment of Government or Other Public Bodies, and Communal or Industrial societies like Fishermen's Co-operative Society or Society for the Employees of a Mill, Shopkeepers, Tongavalas, Sweepers and so forth. Membership in such societies is generally confined either to one trade, or to the employees of one institution, or to the members of a particular class or caste.

Before proceeding to study the relative progress of the Urban Banks in different provinces, we might, with ad-

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vantage, classify them under two main heads : (1) *People's Bank of the Schulze Delitzsch type* the membership of which is constituted from among those resident within a given town: and (2) *Employees' Societies* which might be subdivided into three heads :—(a) *Societies of Government and Quasi-Government Employees*. This is an important class with distinguishing features of its own and consists of (i) societies which admit to membership all classes of Government servants residing in a particular area ; and (ii), societies confined to men employed in a single office or department. (b) *Societies the membership of which consists of the employees of railways, municipalities or firms*, And (c) *Communal Societies*. Here the co-operative nexus is the common feeling of belonging to the same community. They comprise (a) caste societies, (b) craft societies and (c) societies with some religious persuasion as the basis of union.

People's Bank—This type has been a great success in Bombay and Burma. They serve the double purpose of financing their own clientele, as well as, rural and other societies in their neighbourhood. In Bombay there are 21 People's Banks and the Registrar of Bombay writes, "The success of this type of society has been remarkable. Throughout the Southern and Central Divisions there are practically no Joint-Stock Banks at work and it is by no means easy for the artizan and middle class people to secure

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loans when they require them on reasonable terms, or to find institutions in which they can deposit their savings with surety." The Registrar of Burma remarks in the same strain that "the success of the people's bank is due to the absence of the branches of Joint-Stock Banks. Many districts have no satisfactory depositories for money of the wealthier classes of traders during the slack season." This peculiarity of environment while favouring the growth of Urban Banks has also exposed them to the temptation of approximating their methods to the ordinary Joint-Stock Banks. However, the continuous supervision from the headquarters has not allowed them to take any undue advantage of the opportunities before them.

Employees' Societies—These combine a number of features which conduce to soundness of management and to the development of true co-operative spirit. In the first place, they consist of homogeneous groups of men, *i.e.*, of persons who are in constant touch with one another in their daily work and who have the tradition of common employment. This gives a very good material for co-operative work. There is the further advantage in the case of such societies that great encouragement is given to the movement by the employers or official superiors. Moreover, in these societies, the procedure of the deduction of dues from the income of members can be carried out with the greatest facility. It cannot be denied that from a purely co-operative point of view there is not much moral force

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in the practice of compulsory deductions. But from a practical point of view, it has proved a great success. Generally the Managing Committee itself is not truly co-operative, because many of its members are officially subordinate to others and cannot meet and discuss matters on equal terms. And when, as it is often the case, the head of the office or the manager of a factory is the *ex-officio* president of the society, he tries to run the institution under his own authority, and may often use the society as a matter of enforcing discipline and checking strikes. Their success so far is most marked in Bengal, where they have shown an amazing development particularly in Calcutta. In the city of Bombay also, there are some very good and big societies of salary-earners, like the two railway societies and the Post and Telegraph Office Societies. The group which has proved very successful especially in Bombay is that of Municipal Sweepers. Many of the societies have succeeded in redeeming sweepers from debt and drawing the whole community together. Mr. Ewbank thus sums up his experiences of these societies : " Men of the lowest caste are capable of developing a high standard of honesty and a real sense of self-respect whenever a man of higher class exerts himself personally to help and encourage them."

Communal Societies

Caste Societies—In India, caste is a very strong unifying force and it has been applied successfully in the service of co-operation. This variety also has had a

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remarkable success in the Bombay side. There are eleven communal societies in Bombay, the members of which belong to a particular community like the *Saraswat* or the *Namdev*. *The Shamrao Vitthal Society* for the *Saraswat Brahmins* is an outstanding example of successful work which every year continued to surpass its own record of success until its "remarkable good management has set up a standard, which its rivals find it difficult to surpass." In such societies, the introduction of cash credit system with facilities for drawing cheques for the use of business men, the inauguration of an educational fund from the profits, and the issue of debenture stock for redeeming the mortgage debts of the members, are features showing what co-operation based on caste could do for the good of its members. There is hardly an instance on record of a badly managed caste society. Looking at such unvarying success of caste societies in Bombay, one feels impelled to suggest that other provinces should also start energetic propaganda on these lines.

Craft Societies—While caste has, on the whole, answered so well as a factor in the development of urban co-operation, the craft has done equally well. To this group belong the societies of weavers, fishermen and so forth. The first have proved a great success in the Punjab, while the second in Bombay. The creed, too, has a considerable degree of success to its credit. In various provinces the mission

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societies are invariably run on very sound lines. The Chittagong Islamia Bank is a fairly successful institution in Bengal.

Of the total number of Urban Banks the following is the distribution in the different provinces :

Province	Number	
Madras	955	
Bombay	411	
Punjab	291	(Majority of these 263 are organized on the unlimited basis.)
Bengal	223	
United Provinces	206	(Here also a great majority 153—are of unlimited liability societies.)
Burma	174	
Bihar and Orissa	131	(Almost half are organized on the unlimited liability basis.)
Central Provinces	48	(38 organized on unlimited liability basis.)
Assam	27	
Ajmere-Merwara	31	
Coorg	10	

From this table it is clear that from the point of view of relative progress in the Urban Bank System, Madras stands first, Bombay second, Bengal third and Burma

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fourth, and for all practical purposes, these are the provinces in which this kind of banking can be said to have made an appreciable progress.

SECTION III—*Co-operative Funds*

How the funds are employed?

Not only the funds of a Co-operative Credit Society can be employed in giving loans to its members but they may be utilised in making loans to other societies with the sanction of the Registrar. Those who are not members cannot borrow. If there are more funds than it can usefully employ they are deposited with a Central Bank or they may be invested in certain securities approved of by the Registrar. In granting loans, an attempt is made to steer between the two courses. On the one hand if loans are not given with fair promptitude, there is the danger that the members may be compelled to revert to the moneylender. On the other hand, if loans are given with more or less freedom, there is the danger of extravagant expenditure on the part of the members. Therefore, although in the main, loans are granted for productive* purposes only, some

* A productive loan is that which is employed to create something materially valuable. The return from the expenditure must cover principal and interest and leave a certain profit. A loan which is employed to stop a loss or to effect an economy is also classed as productive, provided the loss saved or the economy effected is sufficient to repay principal and interest and yield a profit.

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are given for non-productive but necessary expenses also. This is a serious departure from the German practice, but, in India, with her peculiarly strong demands of society, it was found essential to advance money for some of the ceremonial expenses. It has been found by experience that members being responsible for one another do take care that the amount spent on social requirements is not in excess of that prescribed by the public opinion in the locality. The dictates of the society in such cases are cheerfully accepted by the members. It has indeed been said and with much truth in it "that by lending money for ceremonial purposes, co-operation has closed one of the high roads to insolvency."

In the village societies the chief productive objects for which loans are given are : (1) Usual Cultivation Expenses ; (2) the Purchase of Cattle ; (3) the Redemption of Mortgages ; (4) the Payment of Old Debts and (5) the Purchase of Raw Materials. While among the subsidiary objects may be mentioned (a) the Payment of Land Revenue ; (b) the Holding over of Grain or Other Finished Products for a Fair Market ; (c) the Purchase of Fodder ; (d) Personal Maintenance ; (e) Ceremonial Expenses ; (f) Litigation ; (g) Education and the like. There has been a great deal of discussion as to whether the old debts of the members should be cleared or not. It is urged that if they are to learn the value of self-help and thrift the process of salvation from the moneylender should be

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slow and even arduous. If they get money too easily, they will not realize their position and will fall into arrears with repayments. Others argue that, unless members are at once cleared off all their previous debts, the society is never safe and the moneylender is left with a lever to overturn it. On the whole, the first view seems to have prevailed in most of the provinces.

In the Urban Banks, loans may be granted for any necessary purpose. Generally, in Societies for Employees, loans are granted for (i) Liquidation of Debts entered into before admission to society ; (ii) Illness ; (iii) Marriage and Funeral Expenses ; (iv) Litigation and so forth. Loans are not granted for purposes of trade, display and amusement.

In societies for mill-hands loans may be granted for any of the following purposes :—(1) Marriage and Funeral Expenses ; (2) Payment of old Debts ; (3) Household Expenses ; (4) Purchase of Buffaloes and Cows ; and (5) Sinking and Repairing Wells. Loans to artizans are usually given for the purchase of implements or raw materials and for the liquidation of prior debts. To traders loans may be granted for the purchase of stock-in-trade and liquidation of prior debts.

How to secure a loan ?

To secure a loan the borrower has to apply either in writing or verbally to the Managing Committee. The

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acknowledgment of a loan by the borrower is generally in the form of a pro-note, or any other manner that may be prescribed by the *Panchayat* for that particular case. Loans are seldom given without security, and this is nearly always personal. The reason why a co-operative bank gives such preference to personal security is that it cannot afford to keep its money locked up for a long time. Schulze-Delitzsch, the founder of town banks in Germany considered suretyship as *the keystone of co-operative organization*. He thought that it promoted fraternity, provided control and supervision over the borrower, guaranteed the honesty and capacity of the latter, who, if not honest, would fail to find a surety, and ensure punctual payment by the borrower himself; who, on no account, would leave in the lurch a surety of his own class and guild. Loans may be granted without security to the extent of a certain percentage of the amount of deposits held by a member and at the decision of the Managing Committee. The *Panchayats* are authorised to take a mortgage or sublease of the alienable property of any applicant member, but this is usually taken as a collateral security in addition to surety. Generally two sureties are required for every loan. Sureties have to be approved by the *Panchayat*, and they should always be members of the society. No member is allowed to stand surety for more than a specified number of members. The responsibility of a surety extends to seeing that a loan is applied to the purpose for

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which it is taken, and that the borrower does not abscond to avoid repayment. In case the borrower fails to pay the loan, the sureties are usually liable to pay the amount. Each applicant for loan has to state truly and clearly the purpose for which the loan is required. If the loan is not applied to the object for which it was granted, it is liable to be recalled at any time by the *Panchayat*. In limited liability societies for salaried persons, the loan is generally granted on a bond in the form prescribed by the Committee. It is usually given on the personal security of the member and those of his sureties.

When an application is received from a member for loan, the Managing Committee look up the *Haisyat* register and from it find out the maximum sum up to which the loans have been permitted to be made to that member by the General Meeting for that year. If the amount applied for, is within that limit, as well as, within that sum, beyond which the debts of no individual member should go, and, if the Committee is satisfied that the object stated is justifiable, then it is granted. If the *Panchayat* do not grant the application for a loan, the member has the right of appeal to the General Meeting, whose decision is final. But, as usually, there are no funds on the spot, the application of the borrower with the remarks of the Committee is sent to a Central Bank. The Central Bank, through its supervisor, makes further inquiries, and if it is satisfied, it advances the necessary funds to the society,

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which, in its turn advances the money to the borrower. This means a lengthy process resulting sometimes in an inconvenient delay for the money to reach the needy borrower. Enquiries from the members of the co-operative societies show that the absence of funds on the spot and the consequent delay in getting money is a very important cause that is still keeping them, especially the members of the village society, in touch with their local *sowcars*. Both in villages and towns money is often needed for meeting incidental but all the same necessary expenses which it is not very easy to foresee. Thus, every village cultivator needs occasional advances to pay the labourers employed in weeding crops. When he will engage labourers is very uncertain, for it is determined for him by the fall of rains during the *kharif* season, and by the degree of cold in the winter season, *i. e.*, the factors that determine the proper time for weeding are controlled by natural forces and are independent of him. Therefore he must begin the operations then and there. If he delays, the upper layer of the soil gets too hard and the crop is bound to suffer. He must employ labourers and must get money for paying their wages. If he approaches the society, the society takes five or six days at least to advance him the necessary funds, while, the village *mahan* is there on the spot and can give him the money whenever he requires.* Those responsible for the organization of co-operative credit are alive to this shortcoming in the system, but

* I understand that in the Punjab Societies nearly always keep Rs. 100 in hand to meet such urgent demands for loans. This seems to be another reason why there is greater Co-operative Spirit among the members of Co-operative Societies in the Punjab than, say, in the United Provinces.

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the general absence of sufficiently reliable men on the spot to take charge of the funds is their genuine difficulty.

Rates of interest on loans

The rate of interest on loans is fixed with due regard to the demand and supply of capital in the particular locality and to the rates of interest prevailing there. If high local rates are due not to the manipulations of the *mahanjan* but to legitimate economic causes, the societies cannot afford to lend much below the prevailing rates. Any undue zeal in the matter of cheapening the loans would result in borrowing for unnecessary purposes and an injustice to the person. The following table will give us an idea of the prevailing rates of interest.

1923—24

RATE OF INTEREST

Provinces	Village Societies	Urban Societies
Madras ..	From 9 $\frac{3}{8}$ to 10 $\frac{15}{16}$	From 9 $\frac{3}{8}$ to 10 $\frac{15}{16}$
Bombay ..	9 $\frac{3}{8}$, 12 $\frac{1}{2}$	9 $\frac{3}{8}$
Bengal ..	15 $\frac{5}{8}$	15 $\frac{5}{8}$
Bihar and Orissa	12 $\frac{1}{2}$, 18 $\frac{3}{4}$	15 $\frac{5}{8}$
United Provinces	15	15
Punjab ..	12 $\frac{1}{2}$	12 $\frac{1}{2}$
Burma ..	15	15
Central Provinces	12 to 15	12
Assam ..	15 $\frac{5}{8}$	9 $\frac{3}{8}$ to 12 $\frac{1}{2}$
Coorg ..	12 $\frac{1}{2}$	12 $\frac{1}{2}$
Ajmere-Merwara	12	12

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Most of the rates of interest given above may appear rather high, but indeed, though not very low, they cannot be considered excessive, especially when considered in relation to the prevailing rates of interest in the different provinces. It is to be remembered that the great advantage of the co-operative loan does not lie in the low rate of interest, but lies in the fact, that the terms of the loan are made as convenient as possible to the borrower, instead of being made like loans of the *sowcar* in as profitable a manner for the creditor as possible. It is for this reason that co-operators generally prefer to accept loans from co-operative societies.

Repayment

When granting loans the Managing Committee take into consideration the object for which the loan is given and the ability of the borrower to repay and then fix the date of repayment. Loans for the cultivation of crops and other petty incidental expenses are fixed with reference to harvesting and sale of that crop : loans for trade and manufacture, with reference to the time or season at which the profits of such trade or manufacture are ordinarily realized. In village societies the following may be taken as the typical periods for repayment of loans :

Loans to enable cultivators to secure reasonable prices for their produce. *Three months.*

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Loans for trade, seed, food, cultivation expenses and cattle-fodder *Six months.*

Loans for purchase of carts or cattle, liquidation of small debts and for house-building *Two years.*

Loans for liquidation of large debts, purchase or redemption of land or for expensive improvements of land *Three to five years.*

Loans for unproductive purposes *Two years.*

In societies for salaried men loans are ordinarily repayable in twelve monthly instalments but the Committee may extend the period. In societies for mill-hands repayments are usually made monthly at the rate of one-tenth of the amount borrowed.

SECTION IV—*Grain Golas and Seed Societies*

Grain Golas

Closely allied to the village banks are the co-operative grain banks which deal in grain on practically the same basis as credit societies deal in money. In British India they are found in Bihar and Orissa, Bengal, Bombay, Madras and Coorg.

Owing to the poverty of the great mass of the agriculturists, it often happens that they have to sell their

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grain immediately after the harvest, when prices are at their lowest, in order to pay rent, *sowcar's* debts or land revenue assessments. Consequently they are generally unable to keep on hand enough grain to maintain their families until the next harvest. Prices almost always begin to rise some two or three months after the harvest but the profit falls into the hands of the dealers and not of the agriculturists. The poorest classes have generally exhausted their stock of grain within two or three weeks of the harvest and have to subsist until the next harvest on grain advanced to them on high prices and at heavy interest by their *sowcars*. If the agriculturists would hold their produce for two or three months, they could sell it at a much better price. It is here that the *Grain Golas* come in to help them. The object of the Grain Banks are (1) to enable agriculturists to tide over the period of low prices and to sell their produce at a good profit; (2) to make advances of grains at reasonable rates to necessitous agriculturists during the off season for their maintenance; and (3) to create a reserve stock for any unforeseen emergencies such as famines and scarcity.

The *Golas* are registered as societies of unlimited liability* and are managed on very much the same lines as

* In Bihar and Orissa and Madras, the liability is limited up to two times the quantity of grain deposited by a member.

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credit societies but grain is used instead of cash. The only cash is that derived from entrance fees and is intended to cover working expenses. If a society, however, wishes to help agriculturists, by granting cash advances also to them against their crop produce, in order to enable them to hold their produce for realizing a better price, it has to deal in cash also.

As in a credit society, so in a *gola*, the supreme authority is vested in the General Meeting and the day-to-day business is carried on by the Managing Committee. In provinces such as Bihar and Orissa and Bengal, in addition to the Managing Committee, they have a Supervision Committee, whose functions are the same as in a credit society. However, one of the important duties of the General Meeting, which is peculiar to these *golas*, is, to decide the rates of compulsory annual contributions of grain to be realized from members.

The funds of the Golas and their borrowing powers

The capital of a *Gola* usually consists of (1) entrance fees, (2) deposits of grain, (3) contributions or donations in grain from members and (4) loans in grain. The Committee of Management may, in special circumstances, borrow money with a view to its conversion into grain. The maximum amount of borrowing in the shape of loans and deposits is, as usual, determined by the annual General Meeting, but may be revised at any subsequent General Meeting during the year.

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Every member is bound to contribute grain at a rate fixed by the General Meeting to the stock of *Gola*. The amount so contributed is repayable with interest* after a certain specified time.†

The *Golas* like credit societies grant loans only to members. The rate of interest is fixed by the General Meeting with the approval of the Registrar. The usual rate of interest charged is *savai* (25% in grain). The loans are granted to members for seed, maintenance and for the repayment of grain debts at higher rates. We have in all about 150 grain banks in India of which 113 are in Bihar, 21 in Bengal, 5 in Coorg, and the rest in Bombay and Madras.

The Seed Society

Next to the need of cash and grain loans at easy rates the difficulty, that undoubtedly is felt most acutely by the Indian agriculturists, is the need of good seed on reasonable terms. Only the more substantial cultivators store their own seed, while those, who are poor, usually have to borrow it from their *sowcar* on terms, which, as we have seen, are neither favourable to the cultivator nor to the agricultural industry. To meet these difficulties, and at the same time to introduce better varieties of crops—varieties that Government experimental farms have, after

* In Bengal no interest is paid.

† Bihar and Orissa, 5 years : Bengal, 10 years : Bombay, 3 years.

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making experiments found suitable for certain localities—the Agricultural Departments of the various provinces have been collaborating with the Co-operative Departments. The commonest method to secure this end so far, has been to get the seed distributed either on the *commission sale system*, or otherwise through the existing co-operative credit societies, or through the Union or District Bank. But in the Bombay Presidency they have started some seed banks in the Central Division to meet this difficulty. So far, as the Registrar of the Presidency observes, "they have been either largely financed and controlled by official agency or managed as semi-charitable institutions by some philanthropic persons under very few and lax rules." But recently they have adopted measures to put the seed banks on sound co-operative basis.

Their object is not to maintain a store of grain in a village for use in time of famines nor is it to help cultivators to sell their harvests at advantageous rates as we find in the *Grain Golas*, but it is only to show cultivators how they may unite and obtain a supply of sound seed at the cheapest possible rates. A village seed society in Bombay is carried on in exactly the same way as a village credit society of a pure Raiffeisen type. The main difference between the two types of the institution is, that, in the case of seed bank, the capital is maintained in seed, and loans are also made in seed. Here, it is the business of the Managing Committee to arrange for the supply of seed

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and then to supervise the production of good seed, to see that it is separately sown and harvested, to store it carefully and to advance it to members at the sowing season. Members are debited with the cash value of the seed and make repayment in cash together with interest at a rate that may be fixed. However there are very few purely seed societies in Bombay.

SECTION V—*The Land-Mortgage Bank*

The experience obtained in the working of rural co-operative societies has shown that the prior debts are a serious obstacle to the improvement of the ryot's economic condition, and unless some satisfactory method of liquidating them is devised, he cannot reap the full benefit of co-operation. Besides this, in the *samindari* provinces such as the United Provinces, Bihar and Orissa and the Punjab, it is common knowledge that the landlord classes are also heavily in debt. The result is that they are not able to do anything by way of investment in buildings, fencing, wells and other necessary improvements to increase the productivity of their property. They too stand in very urgent need of some co-operative institution that may be ready to advance funds to them on the mortgage of their landed property and under proper co-operative safeguards. The longest period, for which the existing co-operative credit societies, with their limited resources and peculiar limitations, advance loans, varies from 3 to 5 years,* and as it is no part

* Recently in the United Provinces the time limit of the longest period has been raised to 10 years.

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of their business to grant long term credit they fail to meet, except on a comparatively small scale, the need of either the *ryot*, who is anxious to liquidate his prior debts and wants to start on a fresh career of progressive development, or the landlord, who wants even larger sums to liquidate prior debts and to invest in permanent improvements to land.

The primary object, therefore, of the formation of co-operative land mortgage banks is to facilitate the redemption of mortgages of agricultural land, by providing long term credit, and thereby to afford relief to classes that are now encumbered with mortgage debts. With the Punjab rests the unique honour of being the first of the provinces in India, where the need was recognized and where attempt was made to tackle this vital, though difficult, problem, by evolving a Land Mortgage Bank on Co-operative lines. The first Land Mortgage Bank was started at Jhang in 1920. This was followed in 1924 by two other banks in Mianwali and Sonepat. Madras, Bengal and Ajmer-Merwara have also developed similar banks on similar lines. But the main difference is that, while, in Madras the Government have definitely undertaken to take up half the debentures issued by such banks up to a maximum amount of two lakhs of rupees to finance such banks, in the Punjab they have not, and the Registrar has to bewail that "the bank has power to issue debentures; but so far none has been issued for the

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simple reason that it is doubtful whether there would be any market for them."

"These Banks have been organized broadly on the lines of the German Land Credit Banks or *Landschaften* as they are called, and the objects in both the cases are to serve 'the need of medium and small landowners and affording them facilities for obtaining loans at moderate rate of interest' on mortgage of their land. The loans issued are not subject to recall (except in cases of default and mis-application in the Punjab) and are repayable in small fixed annual instalments. Both in the Punjab as well as in Germany, land Banks are permitted to issue bonds or debentures which carry interest,—their issue is based on estates mortgaged and is limited to the value of the mortgaged land. All profits are carried to the reserve."

The main difference, however, is that unlike the Punjab, in Germany, liabilities of such institutions are guaranteed by the State and bonds issued by them are recognized as trust securities.....

Modus Operandi

Loans are issued only to members and are secured in every case by mortgage of land to be redeemed (as a further security the member might be requested to mortgage all his immoveable property) and two personal securities of two other members of the society. Every member must subscribe to a share of Rs. 10 for every Rs. 500 or fraction thereof borrowed.

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With the application of loan, a copy of *Jamabandi* of the land to be mortgaged is filed. In the application the applicant states the object for which the loan is required. A copy of *Jamabandi* of the land which is to be redeemed, improved or purchased should also be furnished.

After the papers are filed, a local enquiry is held by the Director of the circle (local member of the managing committee) and the Sub-Inspector in the pay of the Bank. Land is valued ; income is assessed ; and the character of the member-borrower and his sureties ascertained. If the report is favourable, then only loan is sanctioned by the Managing Committee. The report in every case is treated as confidential, as it is hoped, that by treating it so, opinion will be more freely given.

The business of the society is conducted by a Board of Directors consisting of 20 members with the Deputy Commissioner as *ex-officio* President. If a Director fails to be present at three consecutive meetings, he is supposed to have vacated his seat and the Directors co-opt a substitute in his place till the next General Meeting.

Conditions of Loan

- (a) The collateral security of land is secured by a registered mortgage-deed.
- (b) The maximum amount of loan to be given to any one individual is fixed at 15 times the net income of his land. The gross income of

land is determined from local enquiries from the gross income, revenue and other expenses are deducted and net income arrived at.

- (c) Loan less than Rs. 300 or more than Rs. 4,000 is not granted to any individual. It is thought that for a loan less than Rs. 300 one should go to a rural society. The maximum limit of Rs. 4,000 has been fixed to deter appropriation of the major portion of the funds of the society to a small number of members. The idea being to offer relief to the greatest number of middle-class men.
- (d) Though bye-laws provide for loan being granted for 20 years, yet no loan has been issued for a period exceeding 10 years and in some cases loan has been issued for five years.
- (e) Loans for purchase of land and repayment of debts are now discouraged and it is proposed to issue in future, loans principally for redemption of land.
- (f) Interest charged is 8%.
- (g) Liability of all members (excepting officials) for the debt of the society is unlimited.

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The lines on which the land mortgage banks are to be run in Madras may be gathered from the letter* of the Registrar to the Secretary to the Government, Development Department in which he has detailed the general lines to be adopted in the formation of land mortgage banks. "The general idea underlying these banks is that a number of *ryots* who own landed property in a specific area and who have mortgaged land to moneylenders should combine to form a co-operative land mortgage bank. They will remortgage their lands to the bank which will proceed to issue debentures on the security of these mortgages. These debentures will be sold in the open market and the sale proceeds will be utilized by the bank in lending to its members in exchange for their mortgage deeds. Debentures will be issued in different series, each series being intended to finance a different group of members. All the members who apply for loans about the same time will be regarded as forming one group and one series of debentures will be floated to finance that group. The debentures may be of various denominations, say, Rs. 1,000 ; Rs. 500 ; Rs. 250 ; Rs. 100 ; and Rs. 50. The total value of the debentures issued in each series will not exceed the amount covered by the mortgages given by the members of the group for whom the series is issued. The period for which debentures will be issued will ordinarily be no less than 12 and not more than 20 years. Within these limits the period may vary

* Dated the 1st June, 1924. No. B-4306-22.

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from series to series. The maximum period for which the bank will lend to its members is 20 years.

" The rate of interest to be paid on debentures will for the present be fixed at 7 per cent. per annum. Debenture-Holders will not have the right to claim repayment of their debentures before the expiry of the fixed term for which they were issued, but the bank will reserve to itself the right to redeem any debenture before it matures on giving three months' notice. This provision will not ordinarily be enforced but it is necessary not only to meet the possibility of a general fall in the rate of interest in the money market (in which case the bank would redeem existing debentures and issue fresh debentures at a reduced rate of interest) but also to meet the possible difficulty of finding an outlet, in the form of fresh mortgage loans to members, for the money repaid by members from time to time.

" The Board of Directors of the Bank will appoint a Trustee whose function will be to see that the bank fulfils its obligations to the debenture-holders. For each series of debentures there will be a separate trust deed although the Trustee will be one and the same person. In order that the Trustee may fulfil his duties, the mortgage-deeds executed in favour of the bank by its borrowing members will have to be assigned to him. The bank will covenant with the Trustee to pay to the holder of every debenture the amount specified therein on the expiration of the fixed

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period or at such earlier time as the debenture may be redeemed in accordance with the holder every year until the date of redemption. All recoveries from the borrowing members of the bank on the mortgage-deeds taken as security for loans will be paid to the Trustee and the bank will also covenant with the Trustee to advance from its own funds, in the event of default of payment by the mortgagors, the sum necessary to completely fulfil its obligations to the debenture-holders.

"The Trustee will for the present be the Registrar of Co-operative Societies or some one selected by him, but in the bye-laws certain powers have been reserved for the Registrar of Co-operative Societies apart from his powers as Trustee. The Trustee has merely to safeguard the interests of the debenture-holders. The Registrar has to look to the efficient working of the bank as a whole. Later on it may be possible to select a non-official to take his place as Trustee.

"All repayments by borrowing members of the bank on mortgaged deeds which they have given as security to the bank will be handed over to the Trustee. The amount so realized towards principal may be utilized by the Directors with the sanction of the Registrar of Co-operative Societies and of the Trustee in giving fresh loans to members on the security of mortgages. The period for such loans must of course be so fixed that they will mature before the expiry of the period of the debentures. These

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further mortgages will also be assigned to the Trustee. When the collections towards principal handed over to the Trustee cannot immediately be utilized in further mortgage loans they will either be invested or will be utilized in paying off debentures. Collections cannot be used for the purpose of giving further loans for the full period of 20 years. For this purpose, fresh mortgages will have to be taken and new series of debentures issued thereon, the mortgages being assigned in due course to the Trustee. The sale proceeds of these debentures can then be utilized for further loans to members for 20 years....

" With regard to the area of operations of the proposed land mortgage banks my own view is that the area should be restricted to a group of villages within 6 or 7 miles from the headquarters of the bank. If the operations of a land mortgage bank are extended to such a large area as a *taluk* the identification and valuation of the land to be mortgaged to the bank by the borrowers will present considerable difficulty and will also involve a certain amount of expenditure. On the other hand, if the area is limited as I suggest, there will be no need for inspection and valuation by professional experts. The members of the Board of Directors will know the land and will be able to value it with very little trouble and expense. It will be much safer, I think, to restrict the area of operations as I now suggest. Some degree of mutual knowledge is

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necessary for the satisfactory working of a co-operative society even on the limited liability basis, and it will be difficult to obtain this if the members are drawn from so large an area as a *taluk*....

"The proposed land mortgage banks are to be organized on a limited liability basis. It may of course be argued that the adoption of unlimited liability would obviate the necessity for the collection of heavy share capital and would thereby make it easier to bring in men whom it is intended to benefit. There are however insuperable practical difficulties in the way of organizing land mortgage banks on the unlimited liability basis. For these banks can only be started in areas where unlimited liability credit societies are already at work. The *ryot* must turn to the existing village society for his requirements in the way of short term loans. The proposed land mortgage banks are only to give long term loans. No person can be a member of two unlimited liability societies at the same time and so the new land mortgage banks must necessarily be on the limited liability basis.

"The maximum rate of interest to be allowed on deposits is fixed at $6\frac{1}{2}$ per cent. per annum which is the rate allowed by central banks on long term deposits. Land mortgage banks should not, however, go in for deposits to any great extent, as the whole object of the scheme would be defeated, if such deposits formed more than a small proportion of their total working capital. It may

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occasionally be necessary to take in deposits to meet the possibility of default in repayments by borrowers so that the bank may be able to keep up its engagements with its debenture-holders.

" It is proposed for the present to restrict the amount which can be lent to a member to a maximum of Rs. 1,000 as the object of the scheme is to relieve the smaller debtors. The rate of interest is fixed at 9 per cent. per annum. In regard to the system of repayment the members will be given the option either to repay the principal in equal annual instalments with interest due on the outstanding amount or to adopt the system of equated payments including both principal and interest. The equated payment system has certain special advantages in the case of loans intended for redemption of mortgages or improvement of land. Loans for such purposes should be repaid out of the net income derived from the land to be redeemed or to be improved. For this reason it has been laid down that no loan shall exceed three-fourths of the estimated net income for the period of the loan, derived from the land mortgaged as security for the loan.

" The Board of Directors have power to call up loans before the due date whenever it seems necessary for the protection of the bank.

" It is also provided that no less than 25 per cent. of the annual net profits of the bank shall be carried to the

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Reserve Fund. In order to get over the difficulty of obtaining the required long term money in the early and experimental stages of land mortgage banks, Government have undertaken to purchase half the debenture bonds to the maximum amount of Rs. 2 lakhs to make up the amount required for starting land mortgagee banks. To ensure that all debentures are secured on first mortgages of agricultural land it is provided that the total value of debentures actually in circulation at any time must not exceed the total value of the mortgage bonds and other assets assigned by the bank to the Trustee and held by him. It is further required that the land mortgaged to the bank as security for a loan shall have no prior encumbrances except in favour of the bank. The value of the land mortgaged as security for a loan must be at least twice the amount of the loan. Again the bank has the right to require a borrower to mortgage all his other immovable property or to give two reliable personal sureties, so that even if the mortgagor defaults in the payment of his loan, and the mortgage is foreclosed, there will always be an ample margin to cover any mistakes in valuation of the land and to secure payment of interest as well as the principal due. As payments are made on the mortgages assigned to the Trustee, whether towards principal or interest, the sums recovered will be made over to the Trustee and as the value of the original mortgages diminishes progressively on account of repayments thereon,

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there will be a corresponding increase in the other assets held by the Trustee in the shape of cash and other liquid assets, and in fresh mortgage deeds obtained as security for further loans to members.

Although the debentures held by Government will bear a lower rate of interest than debentures taken up by the public no additional security will be offered to Government. As already indicated, the security for all debentures is extremely good ; indeed unless there is some abnormal calamity involving the permanent destruction of the lands mortgaged to the bank, there can be no ultimate loss to the debenture-holders."

"At present in Madras there are five Land Mortgage Banks. The latest addition is that of Kulitalai in Trichinopoly. As many as 46 villages under 27 Co-operative Credit Societies working within a radius of 12 miles around Kulitalai have been for the present included in the area of operations by the promoters of the Land Mortgage Bank. The objects of the bank are to promote the economic interests of its members and to arrange for the creation of funds to be lent to its members on mortgage security for the redemption of mortgages on agricultural land, the improvement of agricultural land, and of improved methods of cultivation. The bank will be one of limited liability, and the Board of Directors may issue debentures of Rs. 1,000, Rs. 500, and the minimum being Rs. 50 each bearing interest not exceeding 7% per annum. Debentures taken up by Government, *i.e.*, half and half shall, however, bear interest at 6½% or such lower rate as may be fixed by Government."

CHAPTER V

NON-CREDIT CO-OPERATIVE ACTIVITY

The most important part which co-operation has so far played in India has been the provision of credit. But it has not stopped there. The training in the co-operative methods and the development of the co-operative spirit acquired in a co-operative credit society have resulted in creating, to a certain extent, a spirit of self-reliance and self-help, and these, in their turn, have led people to form associations on co-operative lines to meet their daily needs other than credit. We find them combining for the purchase of goods,—be they daily necessities of life or the implements and raw materials of their business—for the disposal of their produce, and in some societies for both purchase and sale. Yet in others they combine one or both of these functions to providing credit. The special conditions of this country have rendered co-operative societies a particularly useful channel for the dissemination of agricultural improvements such as the supply of pure seed or seed of improved varieties, the introduction of improved implements both in agriculture and in industry more specially in cotton-weaving. A great deal has been done by credit societies towards the latter. It is difficult to estimate the total volume of these operations. The reports of the Registrars are discreetly vague on this point. They merely dilate on the ever increasing closeness of the relations be-

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tween the Agricultural and the Industrial Departments with the Co-operative Department and leave the matter at that. It would be highly interesting to those disinterested observers—in the sense of not being actually an active worker in the co-operative field, and not in any other sense, like the writer of these pages, if, in future, separate figures could be given for such transactions, and if societies, which combine some trading functions with credit, could be shown separately on the lines suggested elsewhere. Then we could get a more or less correct idea of the service done by co-operation to agriculture and industry.

SECTION I—*Co-operative Purchase*

Co-operative Credit and Purchase

A Co-operative Purchase Society may take several forms. In some cases, it is one of the activities of the ordinary credit society, which secures indents from its members for the amount of seed, manure or yarn, or implements and household necessities, and then makes a joint purchase to the best of its ability. Such societies are found in Madras, Bombay and Burma. This is a method particularly favoured in Madras. However, in all these provinces, we have pure purchase societies also. In Madras and Burma such societies have been organized for public servants such as clerks in Government offices, Superior and Menial Municipal employees and Police men. While in Bombay, these have been organized to help weavers and factory workers. Unlike

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most other classes, factory workers do not require loans for the purposes of their business, since raw material, machinery and other essentials for their work, are supplied by the capitalists who own factories. Nevertheless, they frequently stand in need of loans and are found in debt to the money-lenders. The objects for which they chiefly require loans are the redemption of old debts on which they are paying very exorbitant rates of interest, special domestic expenses such as wedding, funerals, doctor's bill and so forth, and maintenance in the case of factory workers during the first few weeks of their employment until their first wages are received from their employers.

The credit of the factory workers is practically nothing since they usually own no property of any sort and are simply dependent upon monthly wages. The moneylenders to whom they resort, as we have seen, are in the habit of imposing very severe conditions on them and exact exorbitant rates of interest. The expenses of living in great cities are very high, and the margin of their wages available, after meeting domestic expenses for the repayment of debt and of current interest on debt, is therefore very small. Under these circumstances, factory workers usually slip into almost irredeemable debt without realizing it, and find that they cannot both maintain themselves and their families out of their wages, and as well pay in full the instalments of loans due for repayment. The interest on debt

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grows so rapidly that a few defaults throw them into a hopeless condition.

However, a weaver has generally to spend Rs. 25 to Rs. 50 per loom per month in the purchase of yarn. The dealer in cloth usually advances this yarn to him at an interest of about 18 per cent., and insists also on his selling the manufactured cloth to him at such rates as he may decide. Very few weavers are rich enough to buy yarn out of their own capital and to carry on business independently of the dealer. Besides this, if the hand-loom weavers are to survive the effects of the fall in prices brought about by the power looms, they must adopt any modern improvement in the form of other looms that will enable them to increase their output. All this needs capital. A credit and purchase society meets all these needs of the weaver, the factory worker and the other classes. It is but a further stage in the evolution of co-operative activity. It borrows funds from members and others and then utilizes them to give loans to its members for useful purposes, and at the same time acts as the agent for the joint purchase of the domestic and other requirements of its members.

In Madras all the members are jointly and severally liable for all the debts contracted by the society. However, as among the members themselves, their liability, in the first instance, is proportionate to the number of shares taken by them, in other words the liability of a member who takes two shares for the common debt of the Society,

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is twice that of a member who takes one share, and so on, as the number of shares increases the liability correspondingly increases. In Bombay such societies for factory workers are organized on the limited liability basis. But every member is jointly and severally liable for the debts of the society to the extent of Rs. 50 per head only, while in societies for weavers the liability is unlimited. In Burma the basis of liability is limited.

The funds of these societies are drawn from the usual sources, but in Bombay, in societies for factory workers, instead of having shares they have what are called Saving Bonds. Every member is bound to subscribe to at least one saving bond. The value of each bond is Rs. 10 and the amount is payable fully on allotment or by monthly subscriptions of Re. 1 each, as the member may prefer. On these saving bonds interest at the rate of $6\frac{1}{4}\%$ may be allowed. The amount invested in the saving bonds is repayable to a member at death or when he is certified to have finally left employment in the factory, or on special occasions approved of by the Supervising Board. This saving bond system met with in the Punjab tends to encourage thrift.

In Burma, the capital of the society consists of monthly subscriptions according to a fixed scale which varies with the rent and emoluments of the member. These subscriptions earn dividends and are repayable when a member withdraws from the society.

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The credit and purchase society in Bombay has yet another important feature about it. To guide and control co-operative movement amongst the factory workers at Bombay a Central Supervising Board has been constituted. The work of these societies is carried on under the general control of this board. It consists of (1) two persons nominated by the Servant of India Society ; (2) two persons nominated by the Agents of the factory or the group of factories placed under the supervision of the board ; (3) two persons nominated by the Social Service League, Bombay, and (4) one representative from each affiliated society.

The functions of this supervising board are (1) to supervise the work of the Managing Committee and to veto any of its resolutions which appear to be contrary to the rules, or bye-laws or to the best interests of the society ; (2) to supervise the work of the secretary and to issue instructions to him through the Managing Committee ; and (3) to sanction loans to the members of the Managing Committees of affiliated societies.

The Purchase Society

The most common form that the pure purchase society has taken in India is the co-operative store variety. Just as the *ryot* needs capital in excess of what he owns, the householder in towns needs provisions in excess of what he produces, if indeed he produces any. He needs the services of the bazar-man just as the *ryot* needs the services of the

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sowcar. He has reason to feel ill-served by the bazar-man. He finds the things he purchases adulterated, his time wasted in bargaining and of being cheated in measure. It is to free the consumer of these worries that the co-operative store comes in. It arranges for the purchase of the requirements of members of the best quality at the lowest rates and then retails those things to them. By preventing adulteration, it protects their health; by giving the correct weight, it prevents fraud; and by its influence and example, it lowers prices all around, and tends to raise the standard of business morality of other retailers. By the *bonus system* it also provides its members with an easy method of saving and of learning thrift.

These co-operative stores or *consumers' societies*, as they are sometimes called, have been organized on the limited liability basis; their constitution being very much the same as of a primary co-operative credit society with limited liability. But one thing that distinguishes a co-operative store more than any other, besides the nature of its business, is the distribution of profits after certain deductions among the purchasers, in proportion to the money value of purchases made by each one of them. Every year the General Meeting consider the sales of the past year in different commodities, take stock of things unsold, and then determine the sort of goods in which dealings will be carried on during the next year. They also decide the rates of dividend on share capital and

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bonus to the purchasers. Other details are left to the Managing Committee, who examine the stock register, see that the quality of all articles recently stocked is good, fix the selling price of all articles in the shop, increase or reduce the selling price where necessary, satisfy themselves that all goods in the shop are available as cheaply as possible, note whether any articles in stock are deteriorating in quality and then reduce their prices accordingly, approve orders for fresh stock that may be required, and satisfy themselves that there is no avoidable adulteration in goods.

To carry on their business the Managing Committee acquire a shop in which the goods of the Society are stored and exposed for sale. The price of every article is written upon it or upon the receptacle in which it is stored. The shop is managed by a salesman, appointed and controlled by the Managing Committee. He is responsible for maintaining a stock register, a sales register, a cash book, and ledger accounts for all the members who are authorised to purchase on credit. All sales are made and entered in the books by him.

Generally the sales of societies' goods are confined to members only, but the Managing Committee may relax this rule and sales may be made to non-members with the

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approval of the Registrar.* All sales are as a rule in cash only.†

The distribution of net profits is settled at the annual General Meeting. The balance remaining after carrying 25% to reserve, and paying a bonus, if any, to the servants of the society, is utilised for paying a dividend on shares and a bonus to the regular customers in proportion to the money value of the purchases made by each one of them. In Bombay where the sales are made to non-members also, the bonus on purchases to non-members is made at half the rate to member purchasers.

We find purchase societies of the store type in all the provinces of India. In the United Provinces and Bombay

* In Bombay and C. P. any person may make purchase at the society's shop. In the Punjab the surplus stock may be sold to non-members.

† In Bombay sales may be made by debit against a member's advance deposit account but to the extent of the balance to his credit in that account only.

In Central Provinces and Berar credit sales to a member are restricted to the extent of three-fourths, of the paid-up value of his shares.

In Bihar and Orissa the Managing Committee may exempt approved members from this rule and may allow the salesman to allow them credit up to a specified amount.

In Burma credit not exceeding a month may be allowed to members of co-operative credit societies only, and that up to the amount mentioned in the letter of credit obtained from the credit society.

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we have *students' stores*, where a part of the profits is set apart as a *common good fund* to be utilised at the discretion of the Managing Committee, for the promotion of social intercourse among the members and for the advancement of their common interests. Yet another important development of the store, we find in Bombay, where a large number of *manure supply societies* have been organized on very much the same basis as a co-operative store. Here the General Meeting annually decide what sorts of manures the society shall deal in the following year. The manure may be sold to any member of the society to any amount if the sale is for cash. When manure is supplied on credit the amount due from a member must not exceed Rs. 500, and the Managing Committee must satisfy themselves that the manure is genuinely required by the member for his own use. Non-members may purchase manure from the society, but only after the needs of all the members have been fully met with. All sales to non-members are in cash only. Castor, ground-nut and safflower cakes are the most in demand. The Registrar issues a monthly circular showing the stock of cake available at each of the big oil-pressing mills, the nitrogen percentage of the cake and the market price. Samples are obtained from the big presses and are taken with him by the Agricultural Organizer on tour.

Another form of the pure purchase society is that found in the Punjab. Like others it is also organized on the

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limited liability basis, and the work is carried exactly on the same principles as in the stores, but all profits are carried to an indivisible reserve. There is no dividend on shares, and no bonus to the purchasers. But a sum not exceeding $7\frac{1}{2}$ per cent. of the net profits may be set apart for a common good fund. These have been organized for the agriculturists and students.

Yet another form of the Purchase Society is met with in Bombay. Its objects are to purchase and store suitable agricultural implements for hiring out to members, and to purchase and sell improved agricultural implements to members at the lowest possible rates. Naturally, the General Meeting here decide what kinds of implements shall be stocked for hire or sale, and the Managing Committee fix the daily rate at which implements may be hired on a scale that will be sufficient to pay interest on the capital invested, to cover the cost of storage and depreciation, and to leave a small profit; and fix the rate of commission chargeable on sales. They examine the implements from time to time to see that they are in good condition and properly stored, and fix the sum payable by any member who may damage them.

All applicants for hiring have to state for how many days the implement named is required, and every applicant has to give in writing, that he is willing to pay any sum for damages done by him to the implements in his charge that may be fixed by the Managing Committee. All sums

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due on account of the hire of implements are payable in cash either at the time of taking them out or returning them.

In this variety there is no bonus to members in proportion to the hire money they may have paid. Of the net profits, after carrying 25 per cent. to reserve, and paying a bonus, if any, to office-bearers, the balance is available for paying a dividend on shares.

The only form of the Pure Purchase Society that is met with in practically all the provinces of India is the store variety, and even this cannot be said to be of success. With the exception of a few stores in Bombay, and elsewhere, all seem to be working in an unsatisfactory manner. Perhaps the best managed stores are those organized for the employees of railways in the various provinces. The Bombay-Baroda and Central India Railway Stores made a profit of Rs. 13,045 during the year 1924-25. The Inspector reports that the cash sales are increasing and amounted to Rs. 4,61,866 in the last year. It has been impressed upon the Board to make enough provision from profits for unforeseen losses owing to fluctuations of the market. The Association has tried to benefit its members by reducing the prices of commodities as far as possible. The Society was honoured by a visit from the Hon'ble Sir R. W. Holland who was pleased to put the following remarks on the working of the Association in its Inspection Book :—" I was much interested to see this excellently managed little

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concern this morning. The Association has now consolidated its position and if the method of management and control continues to be sound, its activities should be greatly and beneficially extended in the future. I trust very much that it may be found feasible to open a branch at Abu Road as contemplated. The zealous work done by the Advisory Committee and by the energetic Honorary Secretary, Mr. Girdhar Lal in particular, is most commendable." A co-operative store, to be a success, should be comprehensive in spirit, and in all respects should be a society of consumers, that is, the consumers should look upon it as their own institution, should devote their time in looking into its management, and, above all, "should purchase all their requirements from it and from nowhere else. Practically all the Registrars are unanimous in attributing the want of success to the want of loyalty of the members. Thus the Registrar of the Punjab remarks : "It (the co-operative purchase movement) must be classed amongst our failures, but our experience is much the same as of other provinces. The curse of easy credit which has done so much to ruin the country has provided a powerful factor in undoing supply work. People are so accustomed to the accommodating shop-keeper and so ignorant of the charges he makes for the credit he gives that they are not prepared to pay cash for any advantage which is not immediately clear. Purity and quality are not valued highly; business instinct of the kind required is lacking in the

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villages ; public spirit in the towns where this instinct exists, is backward ; members do not understand the paramount need for loyalty to their society, managers have proved incompetent and dishonest....The above and other factors have contributed to failure." Even in Bombay, where the consumers' society is comparatively a success, the Registrar observes "the consumers' movement has, I regret to say, not shown any appreciable progress... The main reasons why several societies have done badly are want of loyalty on the part of members, lack of good business management and of proper supervision." However, the stores founded on the communal basis in Bombay, such as Madrasee Hostel or the Nagar Samaj Hostel, and College Stores are doing very well.

According to the Registrar of Bihar and Orissa, "the main cause of the failure of stores may be said to be the free supply of money from outside. With borrowed money the Committee of Management are not as careful as they would be with their own money. Speculation is freely indulged in with eventual losses." While, the Registrar of Bengal writes that "the identity of interest, practical as well as theoretical between the members and the store is as little realized as ever and the necessity of both efficient executive management and constant attention to the interests of the store on the part of the Managing Committee does not receive sufficient notice. It must also be admitted that co-operative stores work under a severe handicap as the

management has not got an intimate knowledge of all the matters appertaining to the trade. The management, being the trustee of the shareholders' interests, tends to have little freedom of action, resulting often in lack of efficiency, and the necessity of keeping an enormous body of ledgers necessitates an unusually large staff for the volume of sale which is involved. Adequate attention is still not paid to stock-taking or to the necessity of repaid turnover of stock. To get over the difficulties of account-keeping a store manual prescribing a simple system of account-keeping and providing necessary checks against dishonesty has been published. But for the present, the whole position of co-operative stores in this province is disappointing."

SECTION II—*Co-operative Sale*

The co-operative disposal of produce has made far greater progress in India than the co-operative supply of goods. The sale business is effected by societies that fall within four main groups : (i) the Credit and Sale Society ; (ii) the Sale Society ; (iii) the Purchase and Sale Society and (iv) the Credit, Purchase and Sale Society. In addition to these, considerable sale is also effected by Production and Sale Societies, and Credit, Production, Purchase and Sale Societies.

Credit and Sale Society—In this case, the sale of produce is an activity added to the normal functions of an

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ordinary credit society. This variety has evolved in Bengal, the Punjab, and Burma, mostly among the weavers and the fishermen. The main objects of this society are to advance loans to its members for necessary purposes such as the purchase and maintenance in good condition of the capital of their business, to assist them to produce good products and to secure a profitable market for them. In the Punjab, the principles of credit and sale organization have been applied to weaving, while, in Bengal they have been applied both to weaving and fishing; and in Burma to salt-boiling only. They have been organized both on the limited and unlimited liability basis. The weavers' societies in the Punjab have an unlimited liability, while in Bengal their liability is limited. Some of the fishermen societies in Bengal have limited liability, while, others have unlimited liability. The salt-boilers' societies in Burma are all organized on the unlimited liability basis. In all these societies, the membership is confined to the members belonging to a particular occupation. Thus in a weavers' society, a weaver only can be a member and in a fishermen's society only a fisherman can be a member.

These societies derive their capital through the usual sources, such as shares, loans and deposits. However, the shares in the Punjab are withdrawable after ten years. The Managing Committee, in addition to the ordinary duties of a credit society, decide the terms of purchase and sale of raw materials, implements and other require-

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ments of the occupations of the members. They also fix the terms on which the sale of a members' produce is to be undertaken. If necessary, they open a store for stocking materials and finished commodities ready for sale to the public.

Profits—In Burma, after carrying the usual 25% to the Reserve, the remainder is divided as a dividend on shares. While, in Bengal the dividend is limited to 6½% and a bonus in proportion to the amount of business transacted by each member is usually paid. In the Punjab, during the first ten years of its life a society may, if funds permit, pay a rebate not exceeding 50% of the net profits of the year to the members in proportion to the volume of business transacted by each member. The whole of the remainder is carried to the reserve. In the eleventh year, after paying the rebate for the year, and after, at least, one half of the accumulated net profits, which remain, has been carried to the reserve fund, the remainder of profits may be apportioned as follows amongst the members. The profits of those members who withdraw their original shares are carried to the reserve fund and the profits of those who do not withdraw their shares are credited to them as non-withdrawable shares. In the twelfth and each following year, after payment of the rebate, and after at least one half of the remaining profits has been carried to the reserve fund, a dividend not exceeding 10% may be paid on the fully paid up shares.

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Reserve Fund—As usual, it is indivisible and no member is entitled to claim a share in it, but in Burma, in the event of dissolution, the balance remaining, after all liabilities have been discharged, is paid as a dividend upon the fully paid up shares of such members as happen to be the members of the society at the time of dissolution. The distribution takes place proportionately to the number of years for which such shares have been fully paid up.

The Sale Society - This variety is found in Bombay, Madras, Burma the United Provinces, the Punjab and Bihar and Orissa. The objects of such a society are to arrange for the sale of the produce of members at the highest possible rates and at lowest cost, to assist the members in improving the stock-in-trade and the methods of production, to obtain for them pure seed or improved implements and other industrial requirements, to endeavour to spread amongst members the best method of production and to advance loans to members to enable them to purchase the dead and live-stock of their industry or to hold up their produce for a better price on the security of the produce deposited with the society. This last is true of all provinces except the United Provinces and Burma. The sale of produce may be done either on commission or by purchasing the produce from members and then selling it to the consumers.

The sale organization has been applied in Bombay and Madras mostly for the sale of cotton, but in Bombay we

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have jaggery, ground-nut, turmeric, betelnut, pepper and vegetable sale societies also. In Burma, we have such societies for the sale of paddy and other agricultural produce. In the United Provinces, the Punjab and Bihar and Orissa, we have sale societies for the disposal of the produce of the milkmen. In the Punjab, they have organized sale societies for fishermen and for the sale of poultry. In most of these societies, the liability of the members is limited either to the face value of the number of shares held by a member or to a certain multiple of the face value of the number of shares held by a member, or to, a certain fixed sum.* But the co-operative dairies in Bombay and the poultry societies in the Punjab have unlimited liability. The working capital in all the provinces that have this type is made up of the usual items but in Bombay in the co-operative dairies which are organized on this basis there are no shares, and funds are secured by issuing Loan Bonds of a certain number of rupees each. Sums paid on account of loan bonds are non-withdrawable and non-redeemable. A fixed cumulative rate of interest is paid annually on them. However, on the death of a member, the amount standing to his credit by way of loan bonds or interest thereon, subject to deductions on account of his liabilities to the

* Members' liability is limited in Burma to the full value of shares taken; Bihar and Orissa, five times the face value of shares held; Punjab, *Ghee* Societies, Rs. 30; Punjab Fishermen's Societies, two times the nominal value of shares and Bombay dairies, Rs. 150.

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society, is payable to his heirs. In the United Provinces and the Punjab, the payment towards the shares is made by deducting something from the price paid for the produce supplied by a member to the society.*

In societies which purchase outright the produce of the members and then sell it to the consumers as is the case with dairies and *ghee* societies in the United Provinces, the General Meeting fix the maximum rates that should be paid to members for their produce as well as the minimum rates at which the things are to be sold to the public. The Managing Committee fix the rates of payment for the produce brought to the society, as well as, the day to day rates at which it is to be sold to the consumers. They issue instructions to the salaried staff regarding the disposal of the surplus stock and see that the things are kept in good order. The routine work is carried on by a paid manager who is directly under the control of the Managing Committee.

However, where the society does not purchase outright the produce brought by the members, but only receives it in its godowns, and then arranges for its sale, either by

* In the U. P. dairies one pice per rupee from the price paid for the milk is deducted, while, in the *Ghee* societies, two pice per rupee are deducted. In the Punjab in the poultry societies, six pice per rupee are deducted and in the Punjab, *Ghee* societies either the share may be paid in a lump sum or the payment may be made by having two pice per rupee of *ghee* supplied to the society deducted.

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auction or otherwise, the General Meeting has to fix its commission charges and other cesses to be realized from the members. Besides this, General Meeting see whether the site of the society, its godown and other dead-stock are satisfactory. Within the instructions of the General Meeting, the Managing Committee carry out the work. They test the scales and weights every now and then, prepare a list of trust-worthy buyers for the guidance of the Managing Director, supervise the sales conducted by him and test and approve the grading of the produce. In societies, where loans are also given to members to enable them, either to purchase improved implements or better seed, or other raw materials of the industry, or for holding up the produce for some time to realize a better price, the Managing Committee decide the terms on and the periods for which loans will be given to members. They approve or reject sureties and grant or refuse applications for loans. The actual work of grading, stocking, selling and realizing the dues is done by the Managing Director.

Profits—Of the net profits, after paying a dividend not exceeding a certain fixed or maximum percentage on all fully paid up shares and carrying the usual amount to the Reserve Fund, the balance is available for distribution as a bonus amongst the members and this in proportion to the money value of their produce brought to the society. However, in Bombay, in the dairy societies, there are no dividends, and in the Punjab, with the

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exception of fishermen societies, in which dividend to the maximum of 8% may be distributed, in such societies there is no dividend system. While in Madras, in the cotton sale society, no bonus is given to the members but an honorarium up to a certain percentage may be paid to the secretary and the members of the Managing Committee.

Reserve Fund—The reserve fund is indivisible and no member is entitled to claim a specific share in it, but in Burma in the event of dissolution the balance remaining after the liabilities have been discharged is paid as dividend upon the fully paid up shares of such members as happen to be the members of the society at the time of dissolution. This distribution takes place proportionately to the number of years for which such shares have been fully paid up.

This form of society has not been a success in the United Provinces, Bihar and Orissa, Burma, Madras and the Punjab. In the United Provinces we have three dairies and three *ghee* societies organized on this model. About them the Registrar writes : "The Lucknow and Benares dairies are practically dead and would be closed soon. The Allahabad dairy is also, now, unfortunately losing ground, but attempts will be made to improve it. All the three *ghee* societies are also dead and fit for liquidation." The Registrar of Bihar and Orissa writes : "It is unfortunate that the reports of their working are not very

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satisfactory. Almost all of them have worked at a loss. Apparently societies of this type cannot be properly managed by the agriculturist." In Burma "none of the registered Paddy Storage Societies stored paddy during the year. It is thought that this class of society is not likely to thrive in future on account of the intricacies of the work involved. Moreover, it is found that members do not care to store their paddy but prefer selling it on the threshing floors. They are in fact probably obliged to do so in order to discharge their liability to their creditors." The same story comes from Madras and the Punjab, though, of all these provinces, the movement may be said to have been comparatively a success in Madras.

However, this type of society has been a great success in Bombay. The Registrar of Bombay wires : "The most important type of non-credit society in this Presidency is the co-operative sale society. Of these, the one most developed is that dealing in cotton. In the year under report, the value of cotton sold by the co-operative societies amounted in all to Rs. 53½ lakhs. The largest turnover was that of the Gadag Cotton Sale Society which sold cotton worth over 18 lakhs. These societies sell only members' cotton. The cotton is ginned before sale. No persons generally are admitted as members, who do not sow seeds of a uniform quality, which is distributed by the society amongst its members. The members are perfectly loyal and there is hardly any case where the member sells

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his cotton outside the society. The management is in the hands of men who belong to the agricultural classes. It is not only efficient but it has also been successful in arranging for the practical business training for a number of enthusiastic young men who work in these societies." These are the features, which, it will be seen, deserve to be imitated elsewhere. No doubt, it is not easy to copy them where the cultivator is not prepared to have his produce pooled with that of other members for grading purposes before it is sold. This step, of course, would not be possible unless seed of the same quality and kind were distributed amongst the members, and unless the seed so distributed is sown separately and not mixed up with other varieties of seeds.

In Bombay there are also other kinds of sale societies which deserve mention. Sind has got two societies dealing in grain. The first to be started was at Shikarpur which sold grain worth about one lakh last year, securing a commission of over Rs. 3,000. Two sale societies have been started in the Poona district : one for the sale of potatoes and the other for the sale of jaggery. The jaggery society known as the Haveli Sale Society sold jaggery worth Rs. 1,28,000 and made a net profit of Rs. 2,200. The Registrar writes that "the future development of co-operative sale especially in the cotton tracts in the Southern Mahratta country and in Gujarat appears to be promising, though difficulties may rise and circumstances, sometimes,

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may not be helpful, but, luckily, we have now got the proper type of men for running these societies, and as the members, themselves, have realized the benefits of such societies there is every reason to hope that the development would be even more rapid in the future than in the past." The reason why this type, so successful in Bombay and to a certain extent in Madras has been a failure in the United Provinces, Burma and other places is not difficult to find. In the United Provinces, Bihar and Orissa and the Punjab, this organization, as we have noted, has been applied to the milk or milk products' industry. Now, co-operative dairies may be started with either of the two distinct objects. They may be started by either the producers to produce more and better milk, to organize its sale in a more economical manner and to ensure that the produce shall be of such good quality and so nicely handled that the buyers will be willing to pay a better price for it, or by the consumers in order to secure for themselves a regular supply of good milk at the lowest possible price. In this section we are only concerned with the former type.

Milk producers may be divided separately into two classes. There are the professional *gwalas*, whose sole business is production and distribution of milk. They live in the city or the town they cater for. Their difficulties are that their cattle are usually housed in an unsanitary manner. They are generally in debt and pay

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exorbitant rates of interest. They keep their cattle ill-fed, and they have never been taught to handle milk cleanly, and are in the habit of adulterating it. Their method of distributing the milk, though the most unhygienic, is the most economical, since it is taken from door to door by the hands of their own family members without any expense.

The second class of producers is that which consists of agriculturists living anywhere within a radius of ten or twelve miles from a city or town. These people keep their cattle in a fairly healthy manner, but the defects of their organization are that they do not know how to handle their milk in a clean and conscientious way. They bring milk to the market on foot—a method which is slow and troublesome—and they often sell it to middlemen, who, of course, give them a lower price than the normal retail price. Of course, the suburban agriculturists, too, have no good grazing grounds, cattle-shed and byre, and lack the services of a high class bull, but their chief difficulty is that of selling their produce.

From the needs of these two classes of milk men, it is not difficult for us to see that a sale society is not suited to the first class of milk men. In their case what is desirable is to provide them with a cattle yard and an improved byre and milk shed outside the town, to secure a grazing area for their cattle, to enforce supervision over their milking methods and utensils, to provide them with a high

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class bull and to provide them cash on easy terms to meet their day to day expenses. The society most suited to this class would be the Credit Purchase type one, and this is probably the main reason that explains the failure of co-operative dairies and *ghee* societies organized in the United Provinces on the pure sale type model. Wherever, as in the Punjab, this society has been organized for the second class of milk men it has proved a success.

The reason why the sale type has failed in Burma is to be found in the peculiar procedure adopted by societies in that province. There, every member has to deposit a certain pre-notified quantity of paddy in his society. The sale proceeds of which he receives, after two or three months, when the total quantity of paddy brought by all the members of the society during a particular season has been disposed of. This means an enormous delay for a member to meet his liabilities in cash out of the sale produce. Besides this, in Burma, they do not advance loans to members on the security of the produce deposited with the society and the members are left to shift for themselves. In Bombay they have tried to meet this difficulty in two ways : firstly, they go on selling the goods as the members bring them in, and secondly, if they find that the time is not suitable for disposing of the produce they store it but advance loans to the person concerned on the security of the goods deposited with the society.

SECTION III — *Purchase and sale Society*

Co-operative purchase and co-operative sale are not incompatible and can be carried on by the same society. As a matter of fact, the general condition of buying and selling, especially in the rural areas, are such that a society that combines these two would, at first sight, appear to have in it healthy germs of great development. In an urban area the problem that commonly presents itself to the average citizens is that of securing a wholesome supply of daily necessities of life at reasonable rates and in full measure. This is not so urgent in villages where a large part of what people consume from day to day is still produced in the village itself. But the problem of disposing of their produce to the best advantage is there, and the tendency towards specialization of localities in the production of these crops only for which they are best suited, has set in with the introduction of the modern means of communication, and is gathering force every day, as the country-folk are learning the advantages of the commercialized agriculture. It has also brought to the front the other problem of securing supplies. The problem is urgent especially in areas where commercial farming has made considerable progress such as the wheat and cotton areas in the Punjab, the cotton and sugar cane areas in the Bombay and the plantation areas in Bihar and Orissa, or the jute and rice areas in Bengal. And it is precisely in these

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provinces that this combination of purchase and sale in agricultural areas has evolved.

The agriculturist is not a trader. He sinks his entire capital in his cultivation and waits for his crop to recoup his capital so that he may pay his rent and his *Mahajan* and meet the costs of all the necessaries of his life. He is therefore anxious to sell his crop as soon as it is ready. In fact, he often takes an advance even when his crop is still standing, contracting to give the produce at ridiculously low rates to his creditor. Even a substantial cultivator who can afford to hold up the bulk of his produce must sell part of the new crop to enable him to meet his ordinary expenses. The result is that the middlemen who form the link between the grower and the consumer absorb a large amount of profits at the cost of both. The grower gets the least and the consumer pays the most. Even the cultivator has to pay the most when he is a consumer of these very articles later on, in addition to what he must pay on such articles as he does not produce, e.g., salt, cloth, kerosine oil, sugar and sweets. He gets them retailed through a number of middlemen and they naturally charge for the service done. It is here that co-operation can come in to relieve him from this two-fold loss and the best form of co-operative organization that is suited for this purpose is the purchase and sale society.

Credit, Purchase and Sale

However, the combination of these two functions in a common society is very rare at present in India. And in most cases we find an ordinary credit society undertaking these two functions also for its members. Societies which combine the three functions of credit purchase and sale are found only in Madras, where they have been organized for the weavers, and in Bengal, where they go under two different names : (i) the Co-operative Store ; and (ii) the Co-operative Supply and Sale Society. In Madras, the membership is limited to weavers only residing in a certain locality, while, in Bengal it is opened to either persons residing in a village or group of villages or to persons employed in any institution or to registered co-operative societies within a given area. The liability of members is limited in Madras to the share capital subscribed by the members and in Bengal from two to five times the share capital subscribed.

The funds, which these societies secure in the usual ways, are utilized in purchasing such raw materials and appliances as may be required for the industry of members and in retailing the same to members either for cash or credit, in granting loans to members for necessary purposes, in purchasing or receiving for sale on commission the finished products of members and then selling it to the consumers and in acting as the agent for the joint purchase of the domestic requirements of the members.

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Subject to the control and direction of the General Meeting, the Managing Committee carry on and manage the business of the society. They deal with all applications for advances of loans to members. They may open a store for stocking materials, implements and manufactured articles as well as other commodities commonly required by the members and make such other arrangements as may be necessary for disposing of the produce of the members. They lay down rules to regulate the advance or sale or purchase to or on behalf of the members and see that the employees of the society carry out their instructions.

After carrying the usual 25% to the Reserve Fund a dividend not exceeding a certain fixed percentage is paid on the fully paid up shares and the remainder is utilized for giving bonus or rebate to members in proportion to the volume of business transacted by each member. The Reserve Fund is utilized both before and after liquidation as in an ordinary credit society.

Purchase and sale Society

The pure purchase and sale society is found in the Bihar and Orissa and the Punjab. The Punjab has two varieties of this society : (i) which carries on the business of purchase and sale for the members on commission is called the Co-operative Commission Shop and (ii) which buys things from the members or from outside and then retails

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them to the members or to the outside public, as the case may be, is called the Co-operative Sale Society. In the Punjab the membership is open to individuals as well as co-operative societies within a given area, while, in Bihar it is confined to individuals only. In the Punjab, the liability of individual members is limited to double the face value of the shares held by each, while, in Bihar and Orissa five times the face value of the shares subscribed. Co-operative societies that want to join as members have to take one share in the Purchase and Sale Society for every twenty-five of their members.

The objects of all these societies are the purchase and sale to members of seed, agricultural implements and other home requirements of members, the sale of agricultural produce of the members, and to encourage the members to grow pure and improved varieties of seed and to use improved agricultural implements. In the Commission Shop of the Punjab the purchase and sale is undertaken only on commission. In others, they may be done on commission or otherwise. The items of business to be undertaken by the society during the ensuing year as well as the terms on which the purchase and sale business will be undertaken are decided by the General Meeting. In the Commission Shop they also fix the rate of commission to be charged from the members.

Within the limits laid down by the General Meeting, the Managing Committee see that the business is carried on

under their supervision. They arrange for the purchase of articles at wholesale rates, fix the prices of the different articles that are to be sold, fix the commission for marketing the produce of members or the terms on which the produce shall be received from members and sold. They arrange for the safe custody of all produce and stock, they guard against the adulteration of goods sold through the society, supervise the sales conducted by the manager and from time to time examine the weights and scales to ensure fair dealing. The actual work of grading the produce according to quality, buying and selling, keeping accounts and so forth, are done by the Secretary, who has a paid manager to look after the details of the business. In the Punjab Commission Shop the Managing Committee select one of their number as chief director and to him are delegated most of the functions of the Managing Committee. For buying and selling, they have a paid manager and for keeping accounts and doing other secretarial work of the society they have a *munim*. Both these officials have to work under the direct control of the chief director but their appointment and dismissal are under the control of the Managing Committee. All the transactions are carried in cash and no credit is allowed. But when a member brings in his produce for sale through the society he may be given an advance on interest of a sum not exceeding from 75 to 80% of the estimated market value of the produce.

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Of the net profits, after carrying the usual amount to the reserve fund, a dividend not exceeding a certain fixed percentage is first paid on the fully paid up shares and then a bonus or a rebate in proportion to the volume of business transacted by each member is paid. The Reserve Fund is utilized both before and after dissolution as in a credit society.

In the whole of British India we have 711 Purchase or Purchase and Sale Societies. Of these 241 are agricultural, while 470 are non-agricultural. How many of these are pure purchase societies or pure sale societies and how many combine the two functions is difficult to say, as no separate figures are available for the two classes. But from what is possible to glean from the reports of the Registrar in the various provinces it seems that of this group the pure supply and the pure sale societies are, perhaps, the only ones that may be said to have taken a firm root, and that too in one province only, the Bombay Presidency. Otherwise from every province comes the same melancholy tale that such societies have proved a failure. No doubt in every province there are one or two societies for purchase or sale that may be more than flourishing, but taking as a whole, we feel justified in saying that outside the Presidency of Bombay, the co-operative supply and sale have not taken a firm root yet. One reason, perhaps, is to be found in the great obstacle of distance against which both

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co-operative sale of produce and the co-operative purchase of goods have to contend. In western countries, where the means of transportation are very highly developed and cheap too, the consuming society can get its requirements brought to its door with the minimum of inconvenience and expense. In India in spite of great developments in the means of transportation that have taken place during the last fifty years, the needs of the country in this direction cannot be said to have been even half satisfied. They are as yet only partially met.

We have no metalled feeder roads connecting the outlying villages in their thousands to the big centres of trade and commerce. Most of them are yet in an isolated state of economy. Our railways, though we have about 38,000 miles of them, cannot be said to have even passed that stage where main lines traverse all the various parts of the country. There are yet many parts of India lying unopened. The system of feeder lines and light railways has not even begun. Under such circumstances a purchase and sale society has great difficulties in getting the thing it wants from one of the few great commercial centres which may be in the next province or at the other end of the country. It is equally difficult for sale societies in the case of such products as cotton to get in touch with the ultimate consumers in Bombay or Ahmedabad, though it would be greatly to the advantage of both if they could do so. But it is rather difficult for a cotton sale society in

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the Punjab or western United Provinces to come into contact with mill-owners in Bombay or Nagpur, the means of communication being what they are. Perhaps one of the causes of the great success of the cotton sale society in Bombay is to be found in this happy juxtaposition of cotton growing and cotton weaving in that presidency.

Besides this co-operation, to be a success in these trading societies, must be on a fairly large scale, with a pretty large turnover that would enable the management to secure the services of a manager and a salesman. There is no place in it for a part-time amateur. A properly qualified and entirely trustworthy wholetime manager with an adequate number of assistants is required, and such men are not readily available in India. The dishonesty of the staff has proved not an infrequent cause of failure of such societies in the different provinces.

The want of loyalty on the part of members has been yet another cause of the failure of these societies. In the purchase societies they insist on selling for cash, and the people accustomed as they are to purchase from the Mahajan or the petty retailer on credit find it hard to give up their age-old habit all of a sudden. Besides the small farmer really finds it very difficult to pay for seed or manures until he has reaped the crop with their aid and naturally prefers to go to the accommodating dealer instead of the uncompromising society. While in the sale societies they insist on not advancing any funds to the producer till his

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goods have been sold. It is not strange under these circumstances that the producer prefers to sell on his own account, though at a loss. He knows that by so doing he is incurring a loss, but he also realizes that economy is a luxury of the rich. The solution of this difficulty seems to be in the method adopted in Bombay, where in the manure purchase societies the members are also members of a credit society, which advances them loans to pay for their purchases. While the cotton sale society itself advances loans up to 75% of the value of the goods deposited with the society for sale.

SECTION IV—*Co-operative Production*

The idea underlying all co-operative production is that the workers and actual producers ought to share under healthy social conditions in the profits of their work and control the manner and method of production. It is obvious that in all high class work this is, or must be the case. No work that demands talent or creative impulse can be carried on successfully if the worker is not free to choose his own line of work, to plan and design according to his own conception, and be sure of getting the greater part of the profit. Formerly artizans and craftsmen usually worked under such conditions, and even now in almost all the artistic trades in India, such as the wood-carving of Kashmir, or the Chican-weaving of Murshidabad, or the Kinkhab-weaving of Benares, we find

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the working carried on the above lines. And even when they combined in caste *panchayats* or *shrenis* (craft-guilds), they did so for social purposes and for regulating the general conditions of work, the maintenance of high quality of their product and the regulation of price, but they maintained their independence as workers. And wherever the system prevails it is exactly so even today in this country. In the last 150 years, however, economic changes, due mainly to the use of costly machinery requiring large capital to buy it, have led the workers to be exploited by persons who could command capital and thus purchase machinery. The productive work under this new system, which has been making itself secure from day to day, is conducted under the following conditions. The work is controlled by a body of three or five men, who usually have only a very small theoretical and no practical knowledge at all of the work, but who have an intimate knowledge of banking, credit and the principle of quick turnover and profit percentages. This small body of men is in turn nominally controlled by a somewhat larger body of men who pledge some of their credit to finance the business, but who have absolutely no knowledge of the work and its conditions and usually have no knowledge of banking or business either. The actual work, on the other hand, is done by a very large body of men who are paid the lowest wage at which they can be obtained, who have no voice in the management of the business or the nature of their work, who are liable to be turned off

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whenever the controllers consider that the step will be profitable to themselves, and who in turn do as bad work as possible, since they can have no motive for doing decent work. The consequences of this system of exploitation of workers by a few persons ignorant of the work have been injurious in Europe and are fast becoming injurious in India. To eliminate these defects various remedies have been suggested from time to time, and of all these co-operative organizations seem to be the best. They try to remedy these evils and to restore to the worker an incentive to do decent work. Their ideal is that, either in one area or profession, the workers in one trade or craft should combine, and by pledging their services and their credit in common, obtain the necessary premises and machinery, that they should work in common, and share profits in common and that they should control themselves through their own elected representatives. Wherever this system has been adopted under proper conditions, it has been found that far better work has resulted and that the nation as a whole has been benefited, and also that the workers in the trade have improved enormously not only in health and prosperity but also in morals and self-respect.

However the system presupposes the presence of so many factors for its success that even in the advanced countries of the west, where the average labourer, who works in establishments maintained by capitalists or capitalistic enterprise, is far more intelligent and resourceful, and has

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much wider outlook, it has not been a marked success. Writing of such societies in Bavaria, Darling says that "Out of the 15,000 craftsmen societies existing in Germany in 1920, 1,280 were production societies. A small proportion of these, in Bavaria for instance, barely a dozen are pure production societies with a common workshop for their members. This is a form of co-operation that is as difficult as it is advanced. The crucial difficulty, however, is to induce members to work together for wages in a common workshop. 'A healthy egoism,' says a recent report on co-operation in Saxony, 'is the main-spring of all economic progress.' The pure production society is a challenge to the doctrine. The struggle between individualism and collectivism has still to be fought. In the farm and labour societies of Italy, Catholics and Socialists are putting the issue to proof. Meanwhile, there is enough natural human egoism left to make a pure production society in any country a difficult matter. Too often in Germany the more intelligent and vigorous members have bought up their society and converted it into a company to their own advantage. The master craftsman, too, is apt to love his independence too well to sacrifice it to an ideal which restricts his liberty."

If such is the case with productive effort in industries on co-operative lines in advanced countries, we could hardly expect it to have made much progress in India, where people are hopelessly illiterate and unenterprizing and where

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the idea of co-operation as applied to economic life is barely 20 years old. However, a beginning has been made in Bombay and Madras, the Punjab, Burma and Bihar and Orissa in this direction also. But, it is in Bombay only that the movement can be said to have passed the stage of mere experiments. There they have 16 Producers' Societies and two Labourers' Societies. In Madras they have one society for manufacturing slates, and eight Labourers' Societies. In the Punjab, there are four Labour Societies, one for the collection of resin, two Co-operative Printing Presses and one Co-operative Wood and Iron Workshop. Burma too has about half a dozen Labour Societies. While, in Bihar and Orissa, we have one Co-operative Press, and half a dozen Home Industries Associations, some of which undertake co-operative production, others only encourage cottage industries by either common purchase, sale or cash advances. In addition to these, common effort on co-operative lines has also been directed to such productive common ends as the clearing of silt, the making and maintenance of embankments, the ginning of cotton and the construction of irrigation works—efforts which though do not result in the production of any finished commodity are yet helpful either to agriculture or to some industry in which the members of such societies are engaged.

The Producers' Society

We have already noted that a producers' society aims at securing for the actual producers of particular commodity

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the freedom of controlling the manner and method of production and the largest share in the profits of their work. It is natural therefore in such societies that the membership is confined to the professional workmen of a certain industry or craft, residing within the limits of a defined area or belonging to a particular institution. The liability of a member is limited to the unpaid portion of his shares.

The goods are produced on behalf of the society and become the collective property of the society, the members receiving a daily wage. If the society employs any workmen, who are not members, they are paid, engaged on wages slightly different from those of the members but they can not be less than the wages paid in any similar industry in the same area. Such employees, at the end of one year's service acquire the claim to apply for membership.

To carry on the business of the society the General Meeting appoint a Managing Committee and a Committee of Control. The Managing Committee employ and dismiss all employees of the society, fix the scale of wages to be paid to members and employees, make tenders and purchases on behalf of the society, and decide on the purchase of raw materials, and the manner and execution of work, and its allotment to members and employees.

The Committee of Control examine all accounts and audit them and report on the financial situation of the society. The Committee of Control have a right to examine any

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papers at any time and to be present at all inventories and stock-taking. They have also the right of making representations and suggestions to the Managing Committee, but cannot oppose the decisions of the Managing Committee. They can, however, call an extraordinary General Meeting and recommend the removal of the Managing Committee or any member of that body.

Profits

Any losses undergone by the society, necessary deductions for depreciation of machinery, building, etc., all insurance charges, and all payments of salaries, wages and other working expenses are the first charges on the profits. What remains is classed as Net Profit. Out of these 40% goes to the reserve fund. An amount not exceeding 20% may be distributed as dividend on shares. Thirty per cent. is divided as bonus to all employees whether members of the society or not. Out of the remaining 10% a provident fund is maintained for the employees. Members who have not fully paid up their shares do not receive their dividends in cash or bonus. The sums due to them under these heads are credited towards the payment of the shares, until the shares are fully paid up. The bonus is divided *prorata* of the wages earned by each employee or member during the year.

Provident Fund

The object of the Provident Fund is to provide all working members and employees who have been employed

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for not less than 5 years with a pension or gratuity proportionate to their wages and periods of service. A proportionate pension or gratuity may be taken from the age of fifty-five onwards. For every employee or member ceasing to do work for the society after 5 years continuous work, the amount due to him from the provident fund is at once calculated, but the payment is made to him when he has reached the age of 55. In case of death of any member or employee before that age any sums standing in the Provident Fund to the credit of the deceased are paid to his widow or children.

Labourers' Societies

The labourers' society is really a society that falls under the general type of producers' societies. The difference is that the co-operative producers' society is composed of skilled workmen who require workshops, machinery, or factories for the production of the articles in which they are working. Thus, for instance, goldsmiths or blacksmiths, weavers or textile workers form a producers' society, in which they apply not only their labour but also other means of production such as their looms or furnaces. A labourers' society, on the other hand, is made up of men who have nothing to sell except their labour and who require for the production of what they are selling, *viz.*, labour, nothing except the simplest tools. The object is to secure that labourers, who are, as said above, disposing only of their labour, shall dispose of it to the best advant-

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age. In order to secure this, it is necessary that the workers should, under healthy social conditions, obtain their fair share of the profits of any work which they accomplish and that they should control the manner and method of labour. Co-operative labourers' societies step in to secure to the labourer that healthy social conditions under which he can produce good work, and to obtain for him the fair share of the result of his efforts.

What the labourer has to pledge can be his work only. He has no savings, for he has never been allowed enough wages to enable him to save, and in the moral conditions to which he has been reduced, he has usually spent whatever he could spare from the necessary minimum on food, on drink or similar aids to forgetfulness. On his mere promise to work no bank will give him credit. Therefore, the labourers' societies begin by asking its members to save out of their wages and use these savings to take shares in the society. The payment towards the shares is made in easy instalments proportionate to the power of saving of the labourers. The liability of the members amounts to the unpaid portion of the share or shares held by each one of them. Any member of the society who desires to maintain himself by labour is free to work on his own account but only so long as his labour is not indentured upon by the society. If he refuses to work, he is liable to expulsion or fine by the society up to a limit of Rs. 50, such fine being recoverable from a share amount or unpaid

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wages or in any other lawful manner. As the object of the society is to promote the economic interests of manual labourers, skilled and unskilled, the membership is confined to labourers or artizans living within the limits of a specified area.

The society tries to realize its objects by obtaining contracts for execution of public or private work and by undertaking job work. It tries to organize work in such a way as to avoid unemployment for the members. The society may also act as agent for the joint purchase of the domestic and other requirements of its members. Whenever there is more work than the members can do, it employs workmen, who are not members of the society but they are paid the same wages for similar labour as the members of the society. Such employees acquire a claim to apply for membership of the society, if they have worked for the society as its employees for one year.

Like the producers' society, the General Meeting elect a Managing Committee and a Committee of Control. Subject to the resolutions passed by the General Meeting, the Managing Committee have full authority to carry on the business of the society. They appoint and dismiss all workers of the society and may suspend any member pending action by the General Meeting. They allot work to members and employees and enforce discipline and divide them into gangs or sections and appoint four men to be in charge of these gangs. They fix the scale of

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wages to be paid to members and employees, they make tenders and contracts on behalf of the society, decide on the purchase of material and tools and the manner of execution of work.

The Committee of Control examine all accounts and audit them and at the end of the year they report to the General Meeting on the financial situation and working of the society.

Their position in relation to the Managing Committee is the same as in the Producers' Society.

From the profits, after deducting the usual expenses such as the losses undergone by the society, money required for depreciation of tools and machinery, insurance charges, and all payments of salaries and other working expenses, what remains is dividad as follows: (1) not less than 25% goes to the Reserve Fund ; (2) an amount not exceeding a certain fixed percentage is distributed as dividend on shares ; out of the remainder, an honorarium not exceeding a certain percentage of the net profits may be paid to the Secretary and the members of the Managing Committee ; a sum not exceeding 7½% may be utilized for any charitable purpose ; and out of the balance, may be distributed a bonus to all the employees of the society. In Bombay 20% is carried towards the Provident Fund and 10% to an Unemployment Fund and it is only after that, that a bonus is distributed. Members who have not fully

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paid up their shares are not entitled to cash payments of dividends or of bonus. Their shares in these are credited towards instalments still due on their shares until they are fully paid up. The bonus is divided *pro rata* of the wages earned by each employee or member during the course of the year. The Reserve Fund is utilized as in an ordinary credit society.

The Producers' Societies actually working at the end of the year 1923-24 were 18 in the Bombay Presidency. Their membership was 1,115 and their working capital Rs. 2,27,274. The Registrar writes: "Support from public or semi-public bodies is generally necessary, if such societies are to be a success. They usually start with serious handicaps, they have a small capital and as they are usually composed of members who are poor, they have not sufficient credit on which to borrow from a central financing institution. They have, on the other hand, to compete with already established capitalists. In several cases, however, what they need most is not funds but orders for work. The best society of this kind was once the Mayortypur Salt Transport Co-operative Society near Karachi. This had done excellent work and earned considerable profits but, as it could not secure, a renewal of the contract for the transport of salt it ceased to work. Out of the Labourers' Societies the one at Hukeri worked successfully. It consists of 23 *Mahar* members, who are well united and undertake road construction work. The

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Broach Building and Road Construction Society had an uneventful year. It could not obtain local board contracts as it was not in a position to keep a full time paid supervisor. Now, however, the Government have given them land near the railway station on which the society is going to build on its own account. The Kamagar Sahakari Foundry in Bombay disposed goods to the extent of Rs. 31,900. It had, however, suffered a loss of Rs. 1,026. The society was kept busy during the greater part of the year, as it had very good orders from Messrs. E. D. Sassoon and Co. The three metal development societies deserve special mention. These are to be found in Bombay, Poona and Satara. The Poona and Satara societies had to face a boycott from the copper and brass merchants and had some difficulty in disposing of their finished article. It is satisfactory to note that in spite of the boycott most of the members remained loyal and the societies were able to work though under difficulties. The Bombay Twastakasar is also doing well. It does chiefly silversmith work and has been able since the close of the year to secure a big order from the merchants of Ahmedabad. The two joint cultivation societies at Bambhora and Arjunsonda which were started as experiments have not, I am sorry to say, proved a success so far."

In Madras there are 17 labour societies. During the year they executed work to the value of Rs. 1,59,177, most of which related to contracts with local boards, muni-

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cipalities and Government. "These societies" writes the Registrar, "have naturally enough aroused opposition in certain quarters and a substantial progress made is, therefore, all the more gratifying." In the Punjab, there are five labour societies, called the forest labour societies, three of which are of cameleens and one of sawyers. They take contracts on the forest department which are executed by their members. The fifth is for tapping and collection of resin. The members do the work and deliver the resin to the forest department. The department renders assistance when required but does not interfere save to prevent damage. There are two co-operative printing presses at Lahore; one with fourteen members and a capital of Rs. 16,000 undertakes work in Urdu only and has been doing successfully. The other is new. It does work in English and is yet in a stage of struggle. A new co-operative wood and iron work shop is "trying to discover the secret of successful collaboration between carpenters and blacksmiths, two parties which find it difficult to combine." In Bihar, there is only one co-operative press, the Radhanath Co-operative Press. It consists only of such members as are actual press-workers. The press is well-equipped and is supplying all the Oriya farms and registers to co-operative societies. It has a capital of Rs. 10,583 and made a profit of Rs. 603. The Six Home Industries Associations in Bihar have, as their object, the development of cottage industries. The Purulia Home

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Industry Association with a capital of Rs. 534 made a profit of Rs. 85, the Doranda Handspinning and Weaving Association made a profit of Rs. 2. The Society has two rooms and 22 charkhas. It purchased cotton and yarn and the linen was made by the members. The Khunti Home Industries Association, which incurred a loss of Rs. 148 on the year's working, is a sort of combined weaving school and factory. It receives a monthly subsidy of Rs. 30 from the Industries Department for the maintenance of a weaving teacher. The aboriginal students are paid a monthly stipend of Rs. 5 each. During the year three students were successfully trained, two of whom have set up looms in their houses and are working on their own account, while the third, who won the Collin's Medal has been employed by the society as the second teacher. The cloths manufactured by the school were treated as first class exhibits at the Ranchi Agricultural exhibition. Gradual improvements are being made in the manufacture of the various kinds of *dhoties*, *saries*, shirtings, coatings and bed-sheets and they are having sale in distant areas. The working of these societies augurs well for the development of home industries. With greater experience in all directions, they should prove very successful.

Another interesting form of the co-operative production society is to be found in the Silt Clearing Societies of the Punjab and Madras, in the Embankment Societies of Burma, and in the Co-operative Ginning Factory at Bom-

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bay. "The Silt Clearing Society," writes the Registrar of the Punjab, "is achieving considerable success where inundation canals are relied upon. It seeks to replace a haphazard style of cleaning the channels by an organized system worked by an elected committee to allot work and get it done either by the member or at his cost. In all there are now 18 of these with 302 members. For these it is claimed that as a result of the action taken, the channels are cleared earlier and better so that water runs sometimes before than otherwise it would and the supply is greater. In consequence, the area irrigated has increased. The net gain claimed for the members is considerable amounting according to the estimates put before me to several thousands of rupees. Obviously there is very good scope for extension of this useful type and it is hoped that more societies will be organized."

In Madras, they have only four societies for *Kudi-Marammat* in the Tanjore district. Their purpose is carrying out on co-operative lines the clearance of irrigation channels and other *Kudi Marammat* work. In Burma, in the Pigu division there are five embankment societies. Their purpose is to organize damming and irrigation schemes. In Bombay, they have got a society at Gujarat called the Co-operative Ginning Society. This is registered at Kareli where there is already a Sale Society. The object is, that the cotton brought by the members to the sale society for sale should be got ginned at the co-operative

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ginning factory. This is an interesting departure from the usual practice in the Bombay and Madras presidencies where the cotton sale societies usually do the ginning of the cotton brought to them for sale by themselves.

The Irrigation Society

It is needless for me to dilate upon the importance of irrigation in India. Our main industry being agriculture the importance of a regular supply of water is essential to the cultivators. This we get from Nature through rains, and from artificial means through irrigation canals, tanks, and wells. Although much has been done to make agriculture independent of that very whimsical mother Nature by developing huge systems of canals and by building tanks and wells, yet it still remains true that agriculture in India is still mainly dependent upon rainfall for its supply of water. And efforts, therefore, to make our greatest industry independent of the vagaries of rainfall, which are too well-known to need mention, should be welcomed.

It is only in Bengal, that co-operative schemes for irrigation have made considerable progress. There we have 173 societies, while in Madras and Bombay, we have one in each. The object of an irrigation society is to irrigate the area of its members. To realize the object, it may dig, cut, maintain reservoirs, canals, water-course or *bunds* and hire or purchase modern scientific appliances for lifting

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water and so forth. In Bombay the Co-operative Power Pump Society has a much moderate aim. Here a number of cultivators join together and go in for an oil engine to lift water from a well or tank, and thereby irrigate their lands. These societies are organized on the limited liability basis with shares. The General Meeting decide the kind of irrigation work that is to be undertaken by the society, and lay down the rates that are to be charged from the members for the use of water. The Managing Committee actually carry out the construction and maintenance of such work under their supervision. They see that the lands are irrigated properly and at the proper time, and that no member wastes water or does anything detrimental to other members. They see that the water rates or subscriptions are paid regularly, and fix the rate at which water may be sold to non-members. Out of the profits, after carrying the usual amount to the reserve, 50 per cent. is kept in a depreciation fund, and out of the remainder a dividend not exceeding 12½ per cent. is paid to the members. The reserve is indivisible and is utilized as in a credit society.

In Bengal the Government have placed one agricultural engineer and a few overseers at the disposal of the co-operative department to look after the engineering side of this movement. The Registrar writes that "Great as has been the progress of the irrigation movement, there is an almost unlimited scope for a greater progress still, specially

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after actual demonstration during the current year (1922-23) of the immense benefit to be derived from such societies." These remarks, so far as the scope of the movement is concerned, apply with equal truth to the whole of India.

SECTION V—*Production and Sale*

This is a type of society which does not seem to have made much advance in India. When making this remark, I may be considered guilty of contradicting myself and going against facts, because in the published returns from which the General Table giving the number of various kinds of societies has been prepared, we find 743 Production and Sale Societies in British India. But on looking into the bye-laws of societies and going into the nature of activities of the societies in the various provinces, I find that there is lot of confusion in this connection, as in other cases too. There is not a province that does not give in its returns some Production and Sale Societies, and yet my study of the movement in its details, convinces me that such societies are found only in Burma, the Punjab, Madras and Bengal and that in the other provinces, societies that should have been placed under other heads have been included in this category. Thus in Bengal, we have 56 Agricultural Societies and 214 Non-Agricultural Societies, classed as Production and Sale. Out of the 56 Agricultural Societies, 54 are Milk Societies, and one is Ganja Society. What these Milk Societies really do is to take over the milk of its members at a pre-determined rate to transport it to the

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Co-operative Milk Union at Calcutta, where it is distributed to the consumers. The same is true of the Ganja Society, which takes over the *ganja* produce individually by the members and then sells it to the Government. By no stretch of imagination could these societies be classed as Production and Sale Societies. I have classed them under the heading 'Sale' and that is their main object. The 270 Non-Agricultural Societies are of such people as weavers (174), fishermen (59), shoe-makers (9), cocoon rearers (16) and conchs-shell-workers, toy-makers, cocoon realers, oil-pressers, blacksmiths, spoon-makers, lac-growers, and chicken-workers. These have been classed as Production and Sale but in reality they are either credit and sale as of fishermen and weavers, or pure credit as of conch-shell producers. Perhaps, because the artizans and craftsmen are members of these societies, they have been classified as Production and Sale Societies, though, no production in common, at any stage of its production that these various classes produce, is undertaken by their respective societies.

Again in Bihar and Orissa, we find 22 Production and Sale Societies. But a study of the bye-laws of these societies reveals them to be nothing but Sale Societies, and accordingly I have included them under Sale Societies. Similarly, in the Central Provinces, they have a society called the *Adat Shop*, which is put down in the returns as Production and Sale Society, but which is really nothing more than a sale society. The chief function of the society

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is the disposal of cotton on commission produced individually by members. It does not even undertake the ginning of the cotton brought to it as is done by some Sale Societies in Bombay. It also combines the co-operative supply of seed and agricultural implements, and thus, if we were to stretch the point, it could be classed as a Purchase and Sale Society.

A true Production and Sale Society would be that which undertakes some such productive activity in common as the ginning of cotton or the making of jaggery, out of the raw material brought by the members for sale and then sell the goods on behalf of the members. Thus in Burma where the form of co-operative organization is developed much more than in any other province, we find in the Production and Sale, Fishery Society, the objects of which are to acquire by purchase at fishery auctions or by tender or otherwise, leases of fisheries to be worked jointly by members ; to take measures for the improvement and conservancy of fisheries and for the improvement of the methods of working ; and to organize joint-purchase of equipment and other necessaries for working the fisheries, and joint-sale of fish and other produce of the members. Similarly in a rice society organized on this basis, we find a society erecting a rice mill, milling members' and non-members' paddy and selling that rice to big merchants. They also encourage the cultivation of unmixed paddy of good strain by securing good seed, and give advances to

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the producers to hold up their crop for a better price. But these are only incidental functions, the main function of the society being common milling and common sale. We find the same case in Madras, where we have a few true examples of this type. Thus in societies for the production and sale of *Khaddar* cloth, the production as well as the sale is carried on in common.

In most of these societies the membership is open to individuals as well as primary societies, the liability being limited to the shares held by a member. The ultimate authority, as usual, is vested in the General Meeting, and the Managing Committee carry on the work under its general supervision. In Burma, there are 74 Agricultural and 11 Non-Agricultural Production and Sale Societies. The class includes societies of many different kinds such as rice mills, fishery societies, ginning societies, societies for the manufacture and sale of sleepers, weaving societies and societies of potters and leather workers. About the agricultural society, the Registrar writes that "In general it may be said that this class of society had an unsatisfactory year. The ill success appears to indicate that they still lack the necessary ingredients for sound working, namely efficient management and loyalty on the part of members."

To encourage cotton industries on co-operative lines, the Burma Government have appointed a Superintendent

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of Cottage Industries, who works in close collaboration with the Co-operative Department. His activities, at present, are concentrated on weaving, pottery and lacquer. Besides this, they have a pottery expert and lacquer expert for training people in these arts.

In the Punjab there are eight Production and Sale Societies and they are all agricultural. They have been organized for the reclamation of *cho* lands. They "are doing useful work in looking after the affected area. These societies have 456 members, which suggests a willingness to take joint action." There are 3 Seed and Demonstration Farm Societies, which are also added to this group in the returns for the Provinces. But a study of their objects reveals that they are not Production and Sale Societies at all. Their object is simply encouragement of better agriculture.

In Madras, there are 4 Agricultural Societies for Production and Sale and only 2 Non-agricultural ; one of the latter being organized for the production and sale of *Khadar* cloth and the other for the production and sale of *Ayurvedic* medicines. Even Bengal, according to our classification, has 16 Production and Sale Societies called the Co-operative Agricultural Associations. In the returns, they have been classed as Production Societies, but, really, as is clear from the statement of their objects, they are Production and Sale Societies. Their object is to acquire

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or to take land on lease and lend it for joint cultivation by members, or for leasing out amongst members for cultivation on such terms and conditions as may be agreed upon between them and the society ; to grow such pure seeds as may be recommended by the Agricultural Department on lands belonging to the society, or, by special arrangements to members, to have such seeds grown on lands belonging to them ; to sell the agricultural produce belonging to the association and to undertake the sale in common of the agricultural products of the members ; and to maintain such selected agricultural implements as may be approved by the Director of Agriculture or the Registrar of Co-operative Societies for use by the members of the Association." Most of these societies are not working satisfactorily. The Registrar writes " the ideas underlying these associations have not yet been fully carried out and it appears at present that they will not be successful unless they receive constant attention from departmental officers in a degree out of all proportion to their intrinsic importance."

CHAPTER VI

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SECTION I—*Co-operative Housing*

With the advent of modern means of communication in India and the factory system of organization in production, the concentration of population in cities and large industrial towns has been going on at an ever-increasing pace during the last forty years in India. When one happens to visit a city like Cawnpore with its crowded and insanitary *basis* made of mud and thatched roofs, where eight or ten people crowd together in one single room, one really feels that one is in a veritable hell. Or again when one visits that attractively named place Parel in the city of Bombay with its euphemistically called *chawls* consisting of a pile of one-roomed tenements, the same feeling is aroused still more vividly in one. But the problem of providing a suitable accommodation is not merely confined to such industrial centres as Calcutta, Bombay or Cawnpore and is not a problem merely in relation to labourers but is a much wider problem affecting India, as a whole.

Most of our cities to which large number of people, be they as lawyers, tradesmen, clerks, or wage-earners, have been attracted during recent years have tended to be over-crowded and have grown in size without any regard

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to the elementary principles of sanitation. There is many a town in India, where, not only it is difficult to find a house in a healthy locality but it is a problem to secure a house at all. Consequently, the rents in these places have gone up unduly high and the middle and the clerical classes find it awfully inconvenient to pay those rents. The problem of housing in its various aspects is as urgent in these towns as it is in the industrial centres. The cities, as they are, need the modelling hand of a town-planner to make them habitable for human beings with plenty of fresh air, sunlight and open space to stretch their limbs.

In the rural areas, though the space aspect of housing is not so urgent as in the cities, yet the problem of proper housing is not a mere question of so much space per head or family. It also presents the problems of suitable roofing, flooring and distribution of the available space as between the different needs of a family. And these are precisely the aspects in which our rural houses are most defective. The man and the kitchen, the man and the pantry, the man and the grain, and equally frequently the man and the cattle are found sharing together the same room throughout the night. Most of the houses in the villages are made of mud and thatch with no ventilators, no windows, no skylights. The flooring is mostly *kachha* and the roof is the most receptive and seldom refuses admission to the advances of rain, dust or insects. The spaces between the houses are narrow and full of depres-

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sions which allow water to stand and offer a suitable breeding ground to the bacilli of innumerable diseases. Besides this, as a general rule, and that as far as the scanty means of the rural masses in material and intellectual wealth permit, the inside of villagers' houses is kept scrupulously neat and clean but their immediate surroundings of the lanes and the by-lanes are generally beds of refuse heaps. And all these make the contribution towards the regular visitations of malaria after the rains and plague during the winters. The need for housing, therefore, in the rural areas is as urgent as in the cities.

Co-operative Organization has proved very effective in the solution of these problems in other countries and India has not been slow to take advantage of the experience of other countries. Bombay was the first in the field and the first Co-operative Housing Society in India was the Saraswat Co-operative Housing Society in Bombay, which was registered in 1915. This society is situated in the heart of the Bombay City and is still working most successfully and has been a model for many societies of its kind. In spite, of however, the success of this pioneer society, it took several years before others could be developed in Bombay. It was only by the year 1920 that the movement can be said to have shown signs of greater life and it is only after the year 1922 that the progress in Bombay has been rapid. In other provinces such as Madras, Burma, United Provinces, the Punjab and Ajmere-

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Merwara, it is only during the last one or two years that the movement began to take root.

Co-operative Societies facilitating housing accommodation may be of three types. There is, first of all, a type of society, where the members are builders and build houses as producers, with a view to sell them in the open market. Such societies, of course, are primarily concerned only with the interest of their members, the builders. Indirectly, however, they may be of benefit to the consumers as all co-operative societies are by the fact that they deal directly with the consumer, that they carry out their work inspired by better ideals than the capitalistic vendor, and that as a society they guarantee the quality of their work. Their direct object, however, is not to provide housing from the point of view of the consumer. We have no society of this type in India, except, the Broach Co-operative Building and Road Construction Society Ltd., which makes this one of its objects.

From the point of view of the consumer, housing societies may belong to the one or two remaining types. There is a society which lends money to its members specifically in order that they may build houses. In principle, it makes no difference whether this money is lent to the member in cash and he is left to make his own arrangements for the building, or whether it is spent on behalf of the customer in building a house and the house is then handed over to him when it is ready. It is really a credit

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society distinguished only from other credit societies by the objects for which it lends, the duration of the loan and the security it demands. This is the type which is found in Madras. The other type of housing society is one, in which the property continues to belong to the society and the member obtains only the occupancy under limitations which preclude him from making a profit by its sale or transfer, and which enforce the solidarity of interest with those of the society as a whole. Within this type which is found in Bombay, Burma, United Provinces, the Punjab and Ajmer-Merwara, there are sub-classes according as the principles are more or less strictly enforced upon the members, *e.g.*, in the United Provinces and the Punjab there are provisions which ultimately secure the right of ownership to the members, while, in Bombay it is vested for ever in the society, but the essential feature of every such society, is, at least that its houses form one settlement in one compact area and that the regulation of settlement rests in the hands of the Managing Committee of the society. The outward form to which they tend is that of a Garden City. In the Bombay Presidency all the existing societies conform more or less to this type and in the Punjab, the one society, that they have got, they are developing on these lines. Several of these are really garden cities with clubs, play-grounds and joint amenities of various kinds for all the members.

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In Madras, the co-operative building society carries on for the benefit of its members the trade of building, buying, selling, hiring, letting and developing land in accordance with co-operative principles and gives loans to members for construction of new dwelling houses. The society ordinarily obtains funds from shares, loans from Government and deposits from members. The society is not allowed to borrow from any one except from the Government. These funds are utilized in giving loans to members for the specific purpose of building houses, and are given on the security of site or sites belonging to the borrower together with any building or other appurtenance thereon. The repayment of every loan begins in instalments after the expiry of ten months from the date on which the building for the construction of which the loan was granted is finished. There is, however, no objection to a member paying in advance, if he so chooses. The management, as usual, is vested in the general body ; and the Board of Directors, subject to such resolutions as the general body of the members may pass, have full power to purchase, sell, mortgage, rent, lease and accept surrenders of land for houses and to construct houses. The construction of houses is ordinarily undertaken by the members themselves. But if the members so desire, the Board of Directors may undertake construction at the expense and risk of the members and the society is in no way responsible for any loss occurring in the course of such transaction. All houses

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are constructed according to the plan approved of by the Board of Directors and every member is bound to agree to an annual inspection and valuation of the house built from the borrowed funds on behalf of the Government. No member can alienate any house site bought or house constructed with the help of loan taken from the society, except to a person, who is a member of the society or to one whom the Board of Directors is willing to admit as a member. On every building, until the amount due thereon to the society is paid in full, the society has a lien. Such buildings must be kept in good repair by the owner. The Board of Directors has the power to cause any repairs to be carried out, if it is of opinion that for want of such repair the society is likely to suffer loss, and then it may realize the money from the members. When the members construct the house individually the Board of Directors may, if the members so desire, arrange for joint labour, joint purchase and joint manufacture of building materials. Where the Board of Directors arranges for the supply of water, lighting, drainage and scavenging, etc., in common, it may levy such fees as may be necessary on the members. The profits and the reserve fund are utilized as in the ordinary credit society.

In the Bombay variety the purest type of the society is that which is known as the co-partnership tenancy society. According to the plan on which this society is formed, the member contributes in the first instance by shares

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and then pays rent so calculated as to cover not only the economic rent of his house but also an amortization or sinking fund payment, which, at the end of 25 or 40 years, as the case may be, repays the whole value of the building. Even then, the property in the whole estate remains absolutely with the society as a whole. But at the end of the period the member is credited with further shares in the society equivalent to the value that he has paid up and it is anticipated that the normal interest on those shares should be equal to the economic rent which he has to pay. At the end of the period, therefore, he is in the position of occupying a building free of rent or nearly so as a tenant of the society of which he is himself a member and therefore a controlling authority. This is a type of society which most fully calls forth co-operative feeling, unselfishness, brotherhood and idealism.

There is a modified type in which the member holds his tenement from the society as a leaseholder and the lease contains strict conditions against sub-letting, transfer or other forms of profiteering. The leaseholder is at liberty either to pay the full cost of the house on occupation, in which case, he has only a nominal rent to pay (*qua-leaseholder*), or he may pay for the value of the house by instalments as in the previous type, and at the end of 25 or 40 years when he has extinguished the cost obtain a lease on a nominal rent. Some societies in the Bombay Presidency are mixed and admit tenants who may be

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either leaseholders, who have paid for the occupancy in full, or leaseholders, who are acquiring the occupancy by instalments, or co-partner tenants. In Burma, the system adopted is practically the same as in the Bombay Presidency.

Funds in these societies are raised by shares, by raising loans, including debentures and loan stock, by deposits, by donations and by contributions towards the cost of houses and land. Although the major part of the capital in these societies has been advanced by the Government, there is no limitation, as we find in Madras, that they should borrow only from the Government. Of the profits only 10% is carried to a Reserve Fund. Of the remaining 90%, some part is utilized in paying a dividend not exceeding a certain percentage upon the paid up share capital. Another part is carried to a Common Fund for meeting expenses of social, recreative and educational purposes and the remainder, on the recommendation of the committee, is declared to the tenants, who are members of the society, as a dividend on the amount of rent paid by them respectively during the year. Such dividend is added to capital and placed to the credit of the member's share account, until his shares are fully paid up and then to the credit of the member's loan stock account. The reserve fund is utilized as is an ordinary credit society.

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In the United Provinces and the Punjab the system adopted is a happy combination of the Bombay and Madras types. The society purchases lands, houses and any other property, it deems useful for the realization of their objects. It is in the discretion of the society, to sell lands or houses built by them to members who desire to purchase outright or to give them on the tenancy system. When the members purchase from the society they may do so either by paying the cash, their own, or borrowed from the society in one lump sum, or by easy monthly instalments spread over a long period of time. As in Bombay the general regulation of common affairs such as lighting, water supply, scavenging, draining and so forth is done by the society and the payment for these services is realized from the members along with the rent.

In Madras, there are 47 building societies. Of these a majority have received loans from the Government. These loans are repayable either in 20 annual instalments with interest at $6\frac{1}{2}\%$ per annum or in 20 equated annual payments. In some societies the Board of Management undertakes building operations, as the agent of the members. In others the members make their own arrangement for building. In some, both methods are adopted.

In Bombay, there are 37 societies. One of them is for the village of Sudi in the Dharwar district. This is the first housing society for a purely rural area. The lay-out has been prepared under the advice of the Consulting Surveyor

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to the Government. A society which has made notable progress is the Goud Saraswat Brahman Co-operative Housing Society. It has erected a very fine set of buildings at Matanga on the co-partnership system. The working capital of the housing societies in the Bombay presidency amounted at the end of the year to Rs. 44,68,000. Out of this Rs. $30\frac{1}{2}$ lakhs represent the share capital and Rs. $12\frac{1}{2}$ lakhs held as deposit from members. Government loans amount to a little over Rs. 17 lakhs. The Registrar writes: "On the whole, the progress of the co-operative housing movement has been satisfactory and has been considerably helped by the assistance given by Government."

In the Punjab, "the Lahore Model Town-planning Society continues to make steady progress. The lay-out of the plan has been decided upon after a competition in which several interesting schemes were exhibited. There are now 701 members who have paid up Rs. 70,100 in shares, and Rs. 1,45,233 in instalments of the cost of houses. About Rs. 94,000 has been paid for the site, and the selected lay-out is now being marked upon the ground. Arrangements for bricks are well advanced and building should be commenced next month. A competition is being held for house designs. A tube-well has been sunk, and a sample of water taken from a depth of 160 feet has been declared to be fit for human consumption by the Chemical Examiner. Efforts are being made to extract

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the full value out of co-operative effort in contracts for all building requirements, etc."

There are two societies in Ajmer. The Registrar says : " It promises to be a very pretty *mohalla* in the outskirts of Ajmer when completed. The finances for the building operations of those members who have got no capital are complete now by the courtesy of the Ajmer Central Bank." The Ajmer Government have rendered no financial assistance to the movement.

In the United Provinces there are 3 housing societies and the Government so far have given assistance to only one society. The Registrar is of opinion that " Our housing societies cannot succeed without financial help from Government and other local bodies. Let us hope that suitable and energetic societies will come into being in this province also, if Government may be able to provide liberal funds for their assistance. Co-operative societies started and worked on right lines are likely to prove a blessing in many of our large cities and industrial centres."

Burma has only two societies. The Registrar writes " in accordance with the principles now almost universally accepted that the state should solve the housing problem for the public, application was made to the Government for an allotment to be issued as a loan to co-operative housing societies...." A sum of two lakhs has been provisionally included in the budget.

SECTION II—*Co-operation and the Live-Stock*

India, it is needless for me to repeat, is a predominantly an agricultural country and the chief driving power used in agriculture is the bullock and the bull-buffalo. It is quite possible that at some future date we may eliminate the bullock power and use machinery in its place. But that day is yet very distant. Nor can we think of using the horse whose use is so very common in some countries of the world for this purpose. The climate of the country is such that horse can never stand it. Besides this, milk and milk products form such an important item in the scheme of dietry of the great majority of the Indian people that unless an abundant supply of wholesome milk is assured the health and efficiency of the people is likely to suffer very much. Protides provide the chief body-building materials. People whose chief item of food is meat derive them from meat. We in India mainly get them from milk and its products. Even the classes that are ordinarily considered as meat-eaters take meat in place of vegetables and the largest quantity of their daily food consists of cereals, and milk products such as curd, *ghee* and butter.

In such a country, where not only the power for the main industry is dependent upon the cattle but the most vital part of food is also dependent upon them, and where the majority of the population at least look upon the cow

and her offspring as sacred animals, one should expect scrupulous care in tending them. But the facts go against our expectation. The cattle are being mercilessly treated and slowly ground to death between the short-sighted selfishness and unreasoning sanctimoniousness. Every day in big cities one sees the *gwala* driving his staggering cattle to the *so called* pastures outside the city—pastures that have not a blade of grass on them, and where the cattle only nibble at some odd roots or fill their bellies with the filth scattered there. If you argue with him why he should keep his cattle half-starved, the usual answer he gives is that along with the cattle that give milk he has to maintain others that have passed the milking period. If you ask him why he does not dispose of the cattle that are of no use to him and are being fed for nothing, his usual answer is a shrug of the shoulder and a horror on his face. The shrug expresses his want of faith in the religious sanctity attached to the cow and the horror of the face his unreasoning fear of the terrors of the other world. And there you have the whole explanation of the situation.

Besides this under-feeding in many parts of the country, the breed of the cattle is extraordinarily poor. And the prevalent type of animal is not as useful as it might be for milk, meat or draught purposes. The causes are insufficient and unsuitable fodder and bad breeding. The cattle are herded together indiscriminately so that the females in heat are often covered by weak or immature males and the

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resulting offsprings are stunted and unhealthy. To eliminate these defects, to provide sufficient fodder and to ensure better breeding, Cattle-Breeding and Fodder Storage Societies have been organized but the problem does not end there. If a man has invested large capital in his cattle he needs some sort of a guarantee that he will not suffer a loss if he can avoid it. It is common knowledge that a large number of cattle in India die annually of epidemics such as rinderpest, anthrax, foot and mouth disease and black quarter. To insure against losses due to these, cattle insurance has been introduced.

Cattle-Breeding

The benefits which the cattle-breeding societies aim at securing are firstly an improved system of feeding and secondly the provision of a suitable type of bull or ram. Such societies are found only in Bombay, the Punjab and Ajmer-Merwara. Sometimes as in the Punjab the society also undertakes to purchase approved variety of cows or sheep on behalf of the members and the disposal of the improved or surplus stock.

No one is allowed to join unless one's cows or sheep are good and healthy and passed as such by the committee. Old and weak stock are excluded. The Civil Veterinary Department is consulted at each step, specially in the selection of bulls and rams, or in deciding the purchase of cows and sheep for the member. The cows or sheep dur-

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ing the day graze with the herd on the pasture maintained by the society, which is usually fenced to keep off intruders, and at night return to the house of their several owners. A herdsman is maintained to look after them all day, to take them out in the morning and bring them back in the evening. The bull or the ram is kept in a shed provided by the society and is fed by them. After five or six years the bull or the ram is changed in order to avoid the risk of his covering his own progeny.

The societies are organized in Bombay on the unlimited liability basis, while in the Punjab, the liability of a member is limited to Rs. 30. There is no share system, and the funds are derived from entrance fees, donations, deposits or loans, subscriptions covering fees and sale-commissions.

The General Meeting decide the rate of commission on sales and the rate of contribution in order to meet current expenses. They select and approve the particular variety of cow or sheep that is to be maintained by the members of the society, the number of bulls or rams to be maintained by the society and the area of grazing to be hired, and generally make regulations for the control of the herd. They lay down the regulations and the rates of fees for the use of the bulls or rams. Subject to the general control of the General Meeting, the Managing Committee arrange for the purchase, grazing, feeding, housing and supervision of the bull or the ram and the herd. They arrange for the recovery of

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contributions or other dues from the members. They examine the herd of and on, and recommend the rejection of defective animals. They arrange for the veterinary aid in case of disease and use preventive measures and watch that the animals are kept under clean and sanitary conditions.

All the profits are carried to the reserve fund, which is indivisible and on dissolution is utilized as in a credit society.

It is only in the Punjab that the Cattle-Breeding Societies are working satisfactorily. In Bombay and Ajmer-Merwara they are in a moribund condition. In the Punjab there are twenty societies for breeding cattle and seven for breeding sheep ; with one exception all are in the Rawalpindi Division. They get their cattle approved by the staff of the Civil Veterinary Department. They have about 700 animals on the register of which nearly 100 are cows purchased from Hissar. Here the members have to bind themselves to confine to covering by the bulls of the society. The Registrar writes that " the results so far have been very satisfactory, the value of the young stock being much higher than that obtainable for those from non-selected parents." The seven sheep-breeding societies have 61 members ; their object is to improve the breed by crossing with either pure Merino or crossed Merino rams ; about 400 animals are included. The Registrar of Bombay writes : " The cattle-breeding societies continued to be

disappointing, though there are a few working fairly well in the southern division." In Ajmer, there are seven sheep societies, and the Registrar is of opinion that "they have not fulfilled the object for which they were started. The people are too poor to take by the difficult work of improvement of breed. Whenever a member feels hard up for breed he changes his sheep into cash. The absence of any guidance from veterinary experts and the prejudice against any new idea are some other factors which stand in their way to success."

Cattle-Insurance

A Cattle-Breeding Society ensures the supply of good cattle. But these must be replaced in case of disease or death. This is done by a Cattle Insurance Society which provides for its members an indemnity in case of loss of cattle by death from disease or accident. So far cattle insurance in India has been tried only in five provinces and that too in a minor scale. Generally, the societies undertake to insure plough-cattle, cows and male or female buffaloes between the ages of four and twelve. In the Punjab, they started a few societies that undertook the insurance of horses but the experiment failed.

With the exception of Burma, these societies have no share system and funds are derived (i) the amount received on account of premia from the members and (ii) the Reserve Fund which consists of fines, and entrance fees

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and donations and interest on any sum invested. In Burma they have introduced the share system, with dividends and bonus, very recently to popularize the movement. Before that they too had no shares. In provinces with no shares the liability of the member is limited to the amount of premia payable by them.

In addition to the General Meeting and the Managing Committee we find a Valuation Committee in these societies. Every owner who wishes to insure any of his cattle has to declare the age, value and description of the beast before the valuation committee. Before deciding the value of a beast the advice of a Veterinary Officer, who has to certify that it is healthy and free from disease, is necessary. If the owner deceives the Valuation Committee the insurance becomes invalid. The value of each beast accepted for insurance is assessed annually by the Valuation Committee and the society undertakes to indemnify only from one half to two-thirds of the valuation amount. The Valuation Committee, however, do not value the cattle owned by the members of the Committee individually. This is done by the Managing Committee and, even in other cases, the Managing Committee hear and decide appeals from the decisions of the Valuation Committee. If insured cattle are sold or exchanged, the animals bought to replace them or taken in exchange, as the case may be, may be substituted for those originally insured, provided the Valuation Committee approve of it.

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The rates of premia are decided by the General Meeting, but the usual rate of premium is 5% of the value of the animal as annually determined by the Valuation Committee and is payable in two half-yearly instalments. No refund of premium is allowed if the animal insured is sold by the owner, and if any premium is overdue by more than a certain number of days, the policy lapses and the member can get no indemnity. The owner of a beast insured must inform the society of all cases of illness at once, and carry out its suggestions for treatment and if it dies he must inform the Secretary of the society of the fact of the death within 24 hours. He must produce the carcass before the members of the Valuation Committee and if the Valuation Committee is satisfied, the society pays the indemnity. The proceeds of skin are usually deducted from the amount payable from the society. If an insured beast is certified by a veterinary officer as unfit for work or incapable, it may be disposed of, and the indemnity payable in that case is the same as in the case of death, *i.e.*, less the price obtained.

In these societies all the profits, after indemnities and all other expenses have been paid, are carried to demands for indemnities which cannot otherwise be met. And in case of dissolution it is for such purposes as may be determined by the majority of the members. In Burma only 25 per cent. of the net profits is utilized for paying indemnities in the coming year. A third 25% is distri-

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buted as dividend on shares, subject to a maximum rate of 20 per cent. And the fourth 25% is distributed by way of bonus to those members who have paid their premia, but obtained no indemnity. This distribution is in proportion to the amounts of the premium paid. In case of dissolution, any surplus funds are divided amongst the existing shareholders in proportion to the sharemoney subscribed by them, and the period for which it has been so subscribed.

The total number of Cattle-Insurance Societies in British India is 442. Out of these 397 are in Burma, 29 in the Punjab, 6 in Coorg, 9 in Bombay, and one in the United Provinces. Cattle-Insurance does not appear to be understood by the people. Even in Burma in spite of the introduction during the year 1923-24 of revised bye-laws, which give more liberal terms to members, the number of societies has remained stationary and there has been a small decline in membership. The collection of premia has also declined. The Registrar is of opinion that "the rate of mortality in many parts is so high as to make any scheme of insurance a matter of great difficulty." The Registrar of the Punjab says : "There is no indication that the idea of insuring cattle is gaining popularity while opinion within the Department is strengthening in favour of abandonment of the effort to introduce this measure. The Registrar of Coorg is of opinion that "there is complete stagnation in the working of these societies and it

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remains to be seen whether the newly appointed supervisors would be able to infuse some enthusiasm in the people in favour of societies of this class. Failing this, it would be necessary to wind them up before long." In Bombay "the societies have not made any progress, but their financial condition is so far satisfactory." In the United Provinces the one society at Jaraouli (Agra) "is doing fairly well but the number of its members, the number of cattle insured and the premia collected have all decreased." So far the problem of fodder supply has been one of the activities of the Cattle-Breeding Societies. But "In Hissar (Punjab) an experiment has been made to organize societies whose members undertake to store fodder in good years and to hold it until there is general deficiency. In all, there are three such societies, which are reported to have stored 2,200 maunds of fodder. We are somewhat doubtful of the success of this type without a better system of storage."

SECTION III—*Co-operative Agricultural Improvement*

Although much has been done by Provincial Banks, Central Banks, Co-operative Bureaus and the Primary Credit and Purchase and Sale Societies, as well as, by such institutions as the Agricultural Association in Bengal and the District and Taluqa Development Association in Bombay and elsewhere to improve the agricultural industry, yet their attempts being mainly directed in such direction as the distribution of pure and improved varieties of seed,

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concentrated manures and improved implements, the problem of land improvement as such has not received its fair share of attention.

It has been evident for some time that any large scheme of land improvement—badly required as such schemes are—would require the organization of a special type of society. A small land improvement may be undertaken by an individual cultivator in his own holding and be financed for him through a credit society, but any large improvement, especially in a land where fragmented and sub-divided holdings are ordinary, must touch the interest of several, if not many cultivators : while, in most instances it would also require an expenditure that goes beyond the resources and legal limits of a village credit society. It was therefore found necessary to establish special societies for the purpose of undertaking schemes of fencing, the building of *bunds*, the drainage of swampy land, the consolidation of holdings, as well as experimental and demonstration schemes.

Such schemes so far have been attempted only in three provinces, the Punjab, Bombay and the Central Provinces. Of these the Punjab is easily the most advanced in societies for the consolidation of holdings, societies for the reclamation of *cho* lands, and co-operative seed and demonstration farms, while Bombay has led the way in giving us fencing societies. The Agricultural Associations

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in the Central Provinces maintain Seed and Demonstration Farms in addition to the purchasing on common account for their members the agricultural requirements.

Consolidation of Holdings

The disadvantages of portions of a holding being scattered in many places throughout a village are generally admitted and it is not necessary for me to recapitulate them here. In some countries legislation has been undertaken giving power to a majority who desire consolidation to compel a minority to submit to it. In India, also, a scheme on similar lines was adumbrated by Prof. H. Stanley Jevons in 1916 and recently, Hon'ble Pt. Shiam Behari Misra, who was appointed by the United Provinces Government to examine this question, also developed a scheme very much akin to Prof. Jevon's. However, as this method of consolidating has not been tried in any part of India yet, it is difficult to judge of its soundness. At least to those of us who are enthusiasts in the efficacy of the co-operative principle the thought of adopting coercive methods appears a little out of date, and it becomes more so when we find that co-operative effort in this direction has made an appreciable progress in the Punjab where it has been given a fair trial. As it is of the greatest importance that all owners and occupancy tenants in a village should join Co-operative Consolidation of Holding Society, they in the Punjab have made a provision for a temporary experiment which can be converted into a permanent measure only by unanimous agree-

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ment. The scheme is as follows :—Every applicant for membership must agree to the general principle of consolidation, and must promise to abide by any method of partition approved by two-thirds of all the members and to give up possession of his land for four years in accordance with any plan of re-partition so approved. He must further agree that all disputes shall be referred to arbitration. Members who accept these conditions may form a society and discuss in the general meeting the method of partition and decide such points as the number of the kinds of land, whether each owner shall be given a plot of each kind, whether minor differences shall be made up by money compensation and so on. In case of any difference of opinion a resolution will be binding on the member only if it be approved by two-thirds of all the members of the society. If two-thirds do not agree, the point remains undecided and some other solution must be found. When a method of partition has been decided upon, the Managing Committee should proceed to draw up a scheme for re-partition of the village fields in accordance therewith. This scheme will be placed before the general meeting. It will only be binding on the members when two-thirds of all the members agree to it. If a scheme is thus approved, members must give up their old possessions and take up the newly allotted possessions in accordance with it. Any member who feels aggrieved may insist on his dispute being referred to arbitration. Possession given under the scheme will be

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temporary cultivating possession for four years; members will be regarded as tenants of the land they take over. During this period of four years members will be at liberty to convert their tenancy into ownership by voluntary exchange. At the end of four years the members will be called upon to decide whether they will convert the temporary possessions into permanent proprietary possessions, or whether they will restore the land to the original owners, or whether they will continue the temporary possession for another period of years. Unless all the members unanimously agree to convert the temporary possessions into permanent possessions as owners, or to continue the temporary possessions for a further period of...years, the fields shall be restored to the original owners and the society shall come to an end on the expiry of five years from the date of registration. All disputes concerning the business of the society whether arising from giving up possessions, retaining possessions or restoring possessions must be referred to arbitration.

Under this scheme a member cannot be made to do anything he disagrees with, unless two-thirds of the members decide against him and if he disputes any particular point he can have the matter referred to arbitration. In any case he gets his land back after four years as all the members must be unanimous before possession can be retained for a longer period. It is expected that in the course of the four years most members will agree among them-

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selves to convert the temporary possession into exchange of proprietary rights. There is, of course, no objection to re-partition of ownership being made at once.

At the time of writing there are 237 societies with 10,928 members in the Punjab. These represent completed work, as in order to prevent fictitious claims societies are registered only when re-partition is completed and new possession has been taken. Thus in addition to the above there are 70 other villages in which consolidation work is a progress. All re-distribution is non-permanent. 'The four-year idea was a useful attraction in the beginning but is no longer resorted to. "The movement for the consolidation of fragmented holdings is gaining strength and popularity. The cost of this great change works out at about Re. 1 as. 8 per acre adjusted; I know of no country where it is so small. It would, I think, be difficult to suggest any measure which gives such great benefit at such small costs."

Co-operative Fencing

The only other effort that has been so far made in the direction of land improvement comes from Bombay, where fencing societies have been organized. The Government at Bombay are fully alive to the need of land improvement schemes and have made great and valuable concession to the co-operative movement of diverting to it a considerable share of annual *tagari* allotment for this purpose. The Government have also declared that if they find a succes-

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sive progress in the schemes of land improvement they would gradually transfer their *tagari* business to the co-operative department.

Most of the schemes of land improvement, except irrigation works, are, as a general rule, not directly and continuously remunerative, though they are indirectly remunerative to the owners of the fields by increasing the produce. But this indirect profit is not susceptible of exact calculation from year to year. Hence it has not been found possible to organize such societies as if they would last for an indefinite period or to obtain variable profits. These societies, therefore, have been organized for a definitely stated land improvement and for a definite period, such period to cover (a) the period of completing this improvement and (b) repaying the loan which may be required for that purpose. The bye-laws, therefore, provide at the outset for the automatic dissolution of the society at the end of the period. Repairs during that period, of course, are undertaken by the society.

In Bombay, the principles of land improvement have been so far applied to the fencing of fields. These fencing societies have been organized on the unlimited liability basis with shares. The usual practice is *i.e.*, within an area where all the land-owners consent or are willing to have their lands fenced a co-operative society is organized. Within three months of the Registration, a schedule, stating

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in annas or in fractions of an anna to the rupee, in what proportion each member shall contribute to the share capital of the society and to the repayment of loans to be obtained by the society, for the execution of its common purpose is drawn up. This is submitted to the Registrar for his approval. After this, an estimate of the cost of fencing is made. At least $1/9$ of the total so estimated is collected from members according to the *anna schedule* prepared beforehand, and is credited in their names as being their paid up share capital. Then the society applies for a loan to the Central Bank and when the loan has been sanctioned they proceed to execute the work. As security for loans, each member has to execute a mortgage bond with the fenced farm hypothetically. After the completion of the work, the loans received by the society are paid in instalments by the members and these instalments are spread over a number of years. The instalment of each member is determined according to his share in the *anna schedule* but the liability of each member is unlimited. And any amount remaining unpaid is liable to be recovered in any proportion from any member. On the dissolution of the society the amount remaining to the credit may either be divided amongst the members in the proportion fixed in the schedule or devoted to any co-operative purpose if the members so desire.

In Bombay, there are five fencing societies in all. And they are all in the southern division. Three of them have completed

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their work, while, the remaining two are still constructing. The total money spent is about Rs. 17,000 and the total area protected by these fences comes to nearly 5,400 acres. The Registrar is of opinion that " additional income which the cultivators would get through the protection afforded by these walls would, it is expected, be enough to pay for the entire cost of the wall within a year or two." The value of the land enclosed is also substantially and permanently increased. These fencing schemes are becoming popular and several schemes are now under consideration. Difficulties sometimes arise because a few people with selfish motives refuse to join, their chief motive being that, when the scheme is completed by others, their land also will be protected without their having to pay anything. In the last Provincial Co-operative Conference a resolution was passed to the effect that if 75% of the people show themselves willing to go in for such schemes, the remaining 25% might be compelled by legislation to pay their quota. It does not at present seem necessary to go in for special legislation of this kind. There is considerable scope for organizing this scheme in places where the people are unanimous.

Co-operative seed and demonstration farm

There is an idea abroad that the Indian cultivator is very slow to adopt improved methods of farming or better seed or better implements. No doubt, this is true to a certain extent but his hesitation to adopt new methods

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is not due, as is often said, to his lack of ambition for a better and richer life but to a shrewd distrust of doing anything, the success of which he is not more or less certain. His means are scanty and he can ill-afford to take risks ; wherever it has been proved to his satisfaction that a new method of cultivation or a new implement is really successful he has adopted it without the least hesitation, but like all practical people he does not believe in mere words. He believes in seeing things for himself and here comes the importance of seed and demonstration farms.

In the Punjab such farms are maintained by co-operative societies organized for this purpose, while, in the Central Provinces, it is an activity of the agricultural association. The Punjab Society tries to secure for its members a regular supply of good seed and improved agricultural implements, and demonstrates the most recent improvements in agriculture. It assists the members in learning the use of these improvements and does all things designed to raise the standard of agriculture of the members of the society. In these societies there are no shares and the liability of the members is limited to Rs. 50 only. The capital required to carry on the work is derived by contributions and loans. So far there are only two demonstration seed and farm societies in the Punjab : " The one at Montgomery is doing good work both amongst its members and non-members. The Lyallpur Farm at Salarwala is also making good progress. These farms run by

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cultivators themselves should do great deal to convince the people that the new methods are profitable even when adopted by their own number."

In the Punjab considerable success is being attained in organizing better farming societies, the members of which undertake to cultivate their lands in strict accordance with the advice of the Agricultural Department. The Agricultural Associations of the Central Provinces of which there are seven in all, are really purchase and sale societies but some of them have opened demonstration farms which serve as a centre for imparting to cultivators knowledge of improved agricultural methods, as well as, a central farm for securing a supply of pure and good seed.

SECTION IV—*Miscellaneous*

In this section we want to give a brief idea of some of those primary co-operative societies such as anti-malarial, arbitration, co-operative relief and others, which it has not been found possible to classify according to our scheme of classification, but, all the same, are playing an important part in the economic regeneration of the country. These societies have been started in very small number in some provinces as pioneer societies. If they turn out to be a success great benefits are likely to be rendered to the community.

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In this experimental work, the Punjab, as usual has led the way, followed closely by Bengal and Madras. In the Punjab we have Compulsory School Societies, Arbitration Societies, Thrift Societies and Land-Holding Societies. In Bengal we have Anti-Malarial Societies, Zamedari Societies and Co-operative Relief Society. In Madras we have Crop Loan Unions, and Co-operative Agricultural and Industrial Societies. In Bihar there is the Home Industries Association, while Ajmer Merwara has given us Thrift Societies, and Burma, Co-partnership Tenancy Society, which is analogous in its aims and objects to the Land Holding Society of the Punjab.

The Compulsory School Society

It is very well recognized in co-operative circles that the lack of education amongst the masses is a great source of weakness in the development of co-operative movement. The movement is essentially a democratic one and unless the members understand it and enter into the spirit of it, it is not possible to realize the real aim of co-operation. In all provinces constant attempts have been made to diffuse literacy amongst the masses but nowhere such concerted and consistent efforts have been made as in the Punjab. They started with schools for children as the first means for combating illiteracy in the Province, but they found that it was costly, extremely wasteful and in large measure a failure. Now, they have attempted to attack the problem along two quite distinct lines ; the one

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by schools for Adults, the other by organizing societies of parents who bind themselves to send their children to a school for full primary course, a sort of optional compulsion dependent upon the local organization of public opinion in its favour. Both require the co-operation of the Education Department of which the Registrar says " We are happily assured. The Co-operative Department undertakes to organize the pupils to attend and the Education Department undertakes to convert them into literates.

" . . . A beginning has been made, considerable success has been obtained ; we have shown that the adults in the villages will attend school if a sympathetic teacher is available ; that they can make progress at a rapid rate which suggests that the great problem of illiteracy should be seriously tackled at this end of scale as well as from that of the scale, and further, we have advanced far in the direction of co-operating with the Education Department to get the whole question examined and to secure adequate financial aid from District Boards, etc.. The other method of attacking this problem is by the organization of what have been called Compulsory School Societies. These are organized amongst parents who bind themselves to send their children for the full primary course under a penalty of Rs. 50. The first was started in Hoshiarpur with 25 parents ; a second has now been organized with 125 members with the result that 90 boys have been admitted into school.

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In the Sirsa *tehsil* of Hissar, five of these societies have been organised with 303 members ; one sends its boys to the Local Middle School, but four secured the establishment of new schools by promising pupils. In all they have sent 220 boys. In one new school, 71 were sent from the start. The great advantage of this system is that the single master-school tends to disappear, as, with the promise of a considerable number of boys under a semi-compulsory agreement, a two master-school can be established, and a promise of a lower middle school is held out to the parents. It is too early yet to dogmatize but it may be, that, by this simple method of organizing parents, we shall be able to ensure progress with economy, and at the same time protect the country from the lapse into illiteracy which is such a marked feature of recent statistics." The latest information shows that considerable success is being attained on these lines.

Arbitration Societies

The original arbitration societies in the Punjab had to be closed down because of an order issued by the Government, who in some mysterious way scented a danger in these societies. The object of these societies was to save members the trouble, expense and waste involved in litigation by providing a means for the equitable settlement of disputes. They had 148 societies with over 16,000 members. The Registrar writes : "We met with an amount of success which attracted attention in several provinces

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and even in journals published in England. There is no room for doubt that much good work was done. For reasons that I have never understood, an order was issued that all these societies should be closed down. That order has aroused comment and criticism in various provinces. One can, perhaps, imagine what would happen in England if all the arbitration work done by Chambers of Commerce and the big Exchanges were suddenly prohibited by a Minister. All reports testify to the genuine sorrow with which the order has been received by members of all castes and grades. There are over 30,000 villages in the Punjab, in 148 of which we had Arbitration Societies, and in over 29,999 of which we had none, so there was ample scope for the development of *Panchayats* under the *Panchayat Act* and it cannot seriously be urged that there was any competition. In the 148 villages which have been deprived of a useful means of escape from litigation, there have been set up *Panchayats* in four only. None of these have yet done any work according to my reports. The remaining 144 have now neither the one nor the other. Some reports point out that the summary closure of the Arbitration Societies is a big blow to the prospects of *Panchayats* for a very obvious reason. There is a tale of two local notables who were given honorary judicial powers ; the ambitious one went about instigating cases and then settling them in his court ; the other, a leading co-operator, devoted himself to securing amicable relations

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between disputants without coming into court at all. The latter was deprived of his powers on the ground that there were no cases within his jurisdiction, while the former has a beautiful record of public work to his credit." When it comes to an executive order all comment is superfluous.

Thrift Societies

There are few things more important for the economic welfare of the masses than the encouragement of thrift and still there are fewer that receive so little attention. This is not the place wherein to discuss the matter in its broad bearings. It will suffice to say that the co-operator has put the development of thrift as one of co-operation's essential functions. All co-operative societies place the encouragement of thrift as one of their chief objects and render valuable service by the collection of small shares, by receiving deposits, and, in some cases, by inducing members to make compulsory deposits for special purposes. But it was felt that there must be something to appeal to people who do not wish to borrow or who are not attracted by any of the various types of society in which thrift is a secondary object. It is for these that special thrift and saving societies have been organized in the Punjab, Ajmer-Merwara and Madras. In the Punjab there are 528 and in Ajmer-Merwara 5 such societies. All are classed as non-agricultural and have been organized mostly amongst *Patwaris*, *Tehsil* Staff, District Board Staff, Indian

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Christians, and so forth. Members are on the increase and a monthly contribution is realized from them. These societies are exempted from the legal obligation of carrying 25% of their net profits to the Reserve Fund. In the bye-laws provision is made for specific purposes but generally no loans are given. Akin to these thrift societies are some amongst poor people such as the *Purbia Tonga-wallas* or sweepers who agree to pay a monthly contribution of one rupee for ten years. In the Punjab a new feature is the organization of grain thrift societies amongst backward cultivators; the members give in so much grain per harvest and this is sold and the proceeds credited. The backward cultivator can save grain when he cannot save cash.

Landholding Societies

This is an effort at colonization on co-operative principles in the Punjab. The Registrar writes: "A scheme of some interest is being tried on the infertile (*bara*) land on the Lower Bari Doab Canal where a number of squares were allotted to me to be cultivated by members of societies from tracts which needed relief. In all there are five societies with 112 members. From a society in Hoshiarpur, 14 members have been given 14 squares, and from a society in Lahore 34 members have got 20 squares in Multan. Hitherto the members have cultivated in common some 42 squares. Six other squares are about to be

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brought under the plough, while of the remainder it is said that very little will prove culturable. The two societies in Montgomery are less advanced, the members consider the land quite useless ; however, there is no knowing what a central Punjabi will not do with the lure of land before him, and perhaps a little encouragement will stimulate further effort. The scheme was worked out by Mr. Strickland on the basis of his experience of Landholding Societies in Italy and elsewhere. If these prove successful, there has opened out a new idea for future colonization, as one great drawback of previous schemes is that the benefit has been too much confined to certain people, and has not indirectly benefited the peasantry of the province as a whole, as should have been the case."

Anti-Malarial Society

An anti-malarial society aims at preventing malaria in the area of its influence by encouraging habits of cleanliness and sanitation. It also takes measures for the prevention of other epidemic diseases, and in case a member is attacked by some disease it makes arrangements for proper medical aid, supplies medicine to its members as well as to others who may require them. These societies are organized on a share basis, but the chief source of finance is the quarterly subscription out of which the expenses of the society are met. The total number of societies is 33 and the total membership 858. These societies have

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made an excellent beginning and will prove to be a source of real help to the malaria-stricken people of Bengal.

The Zamindari Societies

There are three zamindari societies in Bengal. The objects of these societies are to secure land and then to allot it for cultivation to the members of the middle-class families. The agricultural colony so formed is intended to supply facilities for small-plot cultivation and for vocational education. It aims to afford an example of the solution of the middle-class unemployment problem. The members of the Bengal Young Men Zamindari Society is 385. Its working capital is Rs. 44,000 on which it made a profit of Rs. 4,000.

In Madras they have a type of society called the Co-operative Agricultural and Industrial Society. Its chief activities are the preparation of the agricultural produce for the market such as the hulling of paddy, decorticating ground-nut, crushing sugar-cane, manufacturing of bone-meal, and other manures. It has succeeded in inducing some of its members to cultivate improved varieties of crops. For this purpose it advances its funds to finance the purchase and cultivation of these improved varieties. It also undertakes the cultivation itself on a small scale to show the improved methods. Another line of work which it has introduced is the grant of loans on the security of grain

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stocked in its godowns and on outstanding crops. There are only three societies of this type. The Crop Loan Union is another important type in Madras in which membership consists of individuals as well as of co-operative societies. It does only one thing. It receives produce in its godown for safe custody. On their security it procures loans from the Central Bank, which are distributed to the members through the Primary Credit Societies to which they belong. Home Industries Association in Bihar are very similar in their aims and objects in relation to cottage industries, as the Co-operative Agricultural and Industrial Societies are in relation to Agriculture. In all there are six of them, and are doing useful work.

CHAPTER VII

CENTRAL SOCIETIES

SECTION I—*Co-operative Unions*

One thing more than any other that distinguishes co-operative conduct of business is self-reliance, and as a corollary to that all successful co-operation acts on the principle that "nothing should be done for co-operators which they can well do for themselves." Self-control, self-help and independence are the root ideas of the whole movement. In India the originator of the movement, and its first sponsor was the Indian Government, which had to take up this duty upon itself in the absence of any organized effort on the part of the intellectual and moneyed classes to better the economic conditions of the labouring classes in general and the agricultural classes in particular. In order to launch the new experiment under the most favourable conditions, it not only granted many concessions such as free audit, and exemption from certain taxes and fees, but also appointed a special officer in every Province to see that the scheme was not allowed to fail through neglect or misunderstanding. These Registrars so appointed brought the societies into existence, and became their "guides, philosophers and friends."

Although this attitude of the Registrars was inevitable until the new ideas had taken firm root in India, yet it succeeded in creating an idea that the movement was an

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official one. And as this idea is unquestionably contrary to the genius of co-operation and tends to stifle the spirit of self-help, and as the number of primary societies began to increase, and the work on the official agency began to increase much more than it could afford to do satisfactorily, it was found necessary to create gradually out of the primary societies themselves some form of autonomous organization, built up from the bottom, to which many of the functions of the controlling staff could safely be transferred.

To begin with the supervision and control of the movement was largely shared between the officers of Government and the staff maintained by Central Banks and this is still the case in most of the provinces. These Central Banks are controlled to a greater or less degree by the societies which hold, at any rate, some part of their shares, and cannot therefore be regarded as quite alien bodies. But the system has inherent dangers, which may be minimized but cannot be wholly eliminated. In practice Central Banks are usually run by a small number of professional gentlemen and landowners at the headquarters. The controlling authorities are often not in close touch with their borrowers. Almost unconsciously the staff of the Central Bank often tends to absorb too much power into its own hands, and in its endeavour to develop its own business tends to stifle the growth of healthy independent primary societies.

In the second place the Central Banks, from which the societies derive a large part of their working capital, find it

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increasingly difficult to keep in touch with a constantly growing number of remote and scattered little societies composed for the most part of poor and illiterate members. Before sanctioning a loan they require to be assured that a society is well managed, that any loan advanced to it would be devoted honestly to the purpose for which it is granted and recovered punctually, and that mistakes and faults would be brought to light and corrected before serious consequences could ensue. This leads to a close scrutiny by the Central Bank Supervisors, and although justified from the point of view of the financing institution, yet creates quite an undesirable impression on the minds of the borrowing members, who begin to look upon the financing bank as a foreign institution maintained by the *Sarkar* to provide them with cheap credit. The identity of their own society sinks into insignificance and the whole co-operative spirit is gone.

To eliminate these defects and yet to secure supervision and control, various efforts have been made throughout India and Burma. In the Punjab, Central Banking Unions with very limited area and clientele, and composed exclusively of local societies and managed by them, have been tried with marked success. In Madras, Supervising Union working within restricted areas and confining their functions to inspection, training, propaganda and advice have proved satisfactory. In Burma, Guaranteeing Unions, with the object of not only of supervising each other's work

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but also of guaranteeing whatever loans they might recommend as the result of their local knowledge and inspection, have proved a marked success. This kind of union is also gaining ground in Bihar and Orissa and Bombay. Besides these, there are a few unions here and there which specialize in functions other than credit such as the Audit Union of Madras, the Industrial and Milk Unions of Bengal and so forth.

The idea underlying all these various kinds of unions is to make each union the centre of all co-operative activity in the area it serves, or for the kind of primary societies it affiliates, to become an active agent in the development of economic life in the area of its influence and to foster and create a band of local workers in each centre, who should, in course of time, be able and willing to manage the affairs of their locality and be as little dependent on outside help for the management of their internal affairs as practicable. Under the scheme selected members from the neighbouring societies are to meet together to discuss all matters affecting the well-being of their societies, and to learn to inspect their societies. They should teach the members of their societies the main principles of co-operation, should learn to take initiative, and devise and adopt means for the general economic development. In short, under this scheme of unions, the societies themselves, through their representative are expected gradually to do all that is now being done from outside by the Central Bank.

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Membership in these Unions is confined to primary co-operative societies only, and this is a point which places this kind of co-operative organization in a class by itself as distinguished from a Primary Society on the one hand, where membership is confined to individuals, or where at least the individual members have a predominating influence ; and the Central Bank on other, where membership is open to societies or individuals on more or less equal terms. Like all other co-operative institutions each union is managed by a General Meeting and a Managing Committee. In the General Meeting each affiliated society is represented by some system of representation. Thus in Guaranteeing Union of Burma each society is represented by two members of its committee. While in the Banking Union of the Punjab member-societies are represented in the following way :

societies with 25 members or less	1	representative
" " 50 " "	2	do.
" " over 50 members	3	do.

In the Supervising Union of Madras each member-society is entitled to send from among its members one or two delegates to the Union. In addition to these there are representatives of the Central Bank, which finances the societies. Other members of the affiliated societies may attend the General Meetings but only to listen and advise their representatives. Voting at the General Meeting is also regulated according to some system such as in the Guar-

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teeing Unions of Burma, each society has one vote for each complete ten members belonging to it, and in the Banking Union of the Punjab each representative present at the meeting has one vote.

In all matters relating to the administration of the Union, the General Meeting is the ultimate authority. Among other matters it deals with (i) the enactment, amendment and repeal of the bye-laws ; (ii) complaints by the affiliated societies against the Union Managing Committee ; (iii) the admission of new societies into the Union ; (iv) the election of a Chairman and the Union Committee yearly ; (v) inspection report by the committee members or union inspectors on affiliated societies ; (vi) the expulsion of any society ; (vii) the fixation of the Union Rate, after considering the estimate of expenditure for the coming year ; (viii) the fixing of pay for the supervisors and other clerical establishment of the Union ; and (ix) the consideration of the Audit Notes.

The Managing Committee look after the day to day business and carry it on within the lines laid down by the General Meeting. They call General Meetings, promote the formation of new societies in the union area ; enquire or cause the union supervisor to enquire into the assets and liabilities of the societies desiring affiliation ; depute some of its members or the Union Supervisor to instruct all affiliated societies in co-operative principles and

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accounts, and to supervise their working, and to ensure that the audit orders are carried out by them, see that money borrowed by the affiliated societies is punctually paid ; submit the results of inspection to the General Meeting ; collect the Union Rates ; enquire into all the applications for loans which the affiliated societies want to take and report on them to the financing agency. They have to furnish to the financing bank any information required with a view to satisfy itself as to the financial condition of any affiliated society to which the bank has been or is required to give financial assistance.

Funds : Each affiliated society has to contribute to the Union Fund a certain rate, and this is the chief source of its income. Besides, it gets affiliation fees and grants from financing institutions. The funds so raised are applied to the payment of contingencies, the secretary and other salaried staff and the payment of a certain fee for each society inspected by the Union Committee Members.

The Guaranteeing Union

The system had its origin in Burma, and it is in Burma that it has had its greatest success. The Union is registered as a society of limited liability. Its distinguishing feature is that it undertakes to assess and guarantee the credit of each co-operative credit society affiliated to it. Without such a Union, when a loan is required by

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a member, the application after being recommended by the *Panchayat* is sent to the Central Bank, and there it is kept pending until a supervisor can be sent down and an enquiry made into the assets of the member. A Guaranteeing Union sweeps away these delays. It is enabled to do so because it can supervise an affiliated society, check errors and prevent mismanagement. Just as in a primary credit society individuals combine together to enhance their credit by mutual guarantee, similarly here the primary societies combine together and thereby hope to enhance their credit by offering mutual guarantee. The mutual guarantee means that each affiliated society has to guarantee the liabilities of the other societies affiliated to the Union or expelled by it any time to a certain maximum amount. Thus in Burma and Assam each society is liable to the extent of but not in excess of the maximum amount of loans from non-members that it has held during the year immediately preceding that time, or of half the total of its working capital whichever be the greater, while in Bihar and Orissa to the extent of but not in excess of four times the face value of the shares which it holds in the Union.

To safeguard against the dangers of mutual guarantee as far as practicable, the General Meeting of the Union carefully scrutinize the amount fixed by each affiliated society as the maximum to be borrowed by its committee, and after consideration of the assets, liabilities, earning capacity and character of the members of and the work-

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ing and management of affiliated societies and audit reports thereon, fix the maximum borrowing power of each affiliated society from all sources for a year ahead. It is on this basis that the financing institutions regulate their credit to the affiliated societies.

Rights and duties of the affiliated societies - The rights of an affiliated society are to obtain inspection by members of the Union Committee or inspectors appointed by the Union, and to have its borrowings guaranteed by the remaining societies in the Union. Its duty towards the Union is to administer its work in strict conformity to the instructions from the Union. It is expected to give all possible assistance to the persons sent by the Union to inspect its management and working. It must also allow its books and cash balances to be inspected by the chairman and two committee members of any other affiliated society. It must inform the Union at once of any reduction in its membership or of any matter affecting the financial stability. It must submit all loan applications to the Central Bank through the Union and must not take any loans from any person or institution without the permission of the Union. It cannot take even deposits to an extent which would exceed such limits as the Union may have fixed.

In the whole of British India, we have 1,076 Guaranteeing Unions, of which 580 are in Burma, 256 in Central Provinces, 170 in Bihar and Orissa, 64 in the Bombay presidency and 6 in the United Provinces. This type of

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Union has proved a success only in Burma and Bihar and Orissa. In other provinces it has proved a failure and they are thinking of devising some other method of securing supervision and control of the primary institutions. In the Central Provinces, which is only second to Burma as far as members are concerned, the movement has been failing for some time. In the year 1923 we had 305 of them, while in the year 1922 there were 308. The Registrar writes in his report for 1922-23 "They are for the most part purely nominal bodies giving guarantees of no real value. There are many that exist in name only, they perform none of their functions and even the meetings of the Union Committee are not held; the Central Banks ignore their existence entirely. Others hold meetings of their committees irregularly, but it is only with great difficulty and under the personal persuasion of the Government Auditor that representatives of the societies can be induced to attend and even so a quorum can scarcely be obtained. These Unions fix the credit limits of their affiliated societies as a rule by the simple method of adopting the limits proposed by the societies themselves; that done they lapse into inertia. The Central Banks deal with the societies direct and practically ignore the existence of the Union.. Another function of Circle Unions and one of the most important is the inspection by members of the Union Committees of affiliated societies. The extent to which this function is performed is indicated by the fact that out

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of 1,382 societies affiliated to the Unions only 208 are reported to have been inspected and these inspections are also nominal. The reason why the Guaranteeing System is going down in the Central Provinces is to be found in the fact that the impression prevails amongst the members that the whole benefit of this system is derived by the Central Bank. Members are unwilling to undertake the duties and responsibilities of membership of a Union Committee and pledge the liability of their societies or other societies simply in order to save the Central Bank trouble and provide it with an additional financial safeguard. But even if the members of rural societies had been willing to perform the duties demanded of them they were in most cases incompetent to do so. The Registrar writes : " Many existing unions do not possess even a single literate member and very few in the Central Provinces at least have more than two or three such members. It is difficult to say how any adequate inspection of a society can be made without the scrutiny of its accounts, or how a Union Committee can control borrowings if it is unable to examine ledger accounts. The fact is that the formation of Unions was not undertaken to satisfy a demand but was imposed upon the movement from above."

Practically the same reasons of the want of success of the guaranteeing unions are adduced by the Registrar of Bombay Presidency. He writes : " The guaranteeing unions which were started have not proved a success, partly

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because the so-called guaranteeing was merely nominal, and partly because funds being limited no good supervisor could be engaged, the work of the honorary committee itself being not often regular and efficient." They have now decided to start supervising unions in place of the guaranteeing unions and the process has already begun.

The Supervising Union

It had its origin in Madras and at present, it is practically confined to that presidency. It is registered as a co-operative society of limited liability and its distinguishing feature is to carry out careful and regular supervision over affiliated societies and to make frequent inspections of the same. It does not guarantee loans but it recommends the grant of loans to affiliated societies from the financing institutions. To discharge these duties supervisors are appointed by the governing body (the Managing Committee) from among men who have been certified by the registrar to be fit for such work. The governing body may fine the supervisors but cannot suspend or dismiss except with the approval of the Registrar. It is the duty of the Governing Body to enquire into all applications for loans, which affiliated societies want to take, and to report on them to the financing agency.

The liability of each affiliated society in relation to the Union is limited to the share capital subscribed by the

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society. No affiliated society is at liberty to receive a loan from any person or any society unless such loan has been approved by the governing body of the union.

In all we have about 279 supervising unions in India. Of which 272 are in Madras, 4 in Bengal, two in Coorg and one in Assam. The Registrar of Madras is of opinion "that, as a general rule, local unions are most efficient where their operations are restricted to small compact area and where the number of applicant societies does not exceed 25 or so." In addition to these unions there are six District Federations of Unions in Madras. The chief object of these federations is the co-ordination of the work of local unions. They are intended to deal with matters of common interest to the affiliated unions, to undertake the education of local unions and to organize special types of societies. As regards their financial resources, they are largely dependent on contributions from their affiliated unions. In some federations the district banks have been admitted as members. About these federations the Registrar writes : "When every district in the Presidency has its federation of unions and this I hope will soon be an accomplished fact a very substantial advance will have been made in the development of the non-official supervising agency. These federations are bound to play an important part in the organization, training and control of a non-official co-operative service in the general guidance of the movement in their areas."

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The Banking Unions

The Banking Union is the offspring of the Punjab and it is only in that province that it has achieved considerable success. It combines finance, with self supervision in an almost ideal way. The management is usually rural and local, and as its operations are confined within a small circle, every affiliated society is able to take a direct part in its management and control. In addition to carrying on banking and credit business it purchases and sells on common account such things as implements, domestic requirements and the produce of the member-societies. It supervises and audits the affiliated societies and undertakes the education of the members in the principles and practice of co-operation.

In all we have 78 banking unions in India. Of these 68 are in the Punjab; 9 in the United Provinces and 1 in Ajmer. It is only in the Punjab that this kind of union has proved a success. Looked at from the point of view of its constitution, one should have expected this form of union to be very popular, but as Mr. Ewbanks has pointed out "it is because they are so ideal that they cannot be attempted in most provinces. For their successful working, they require exceptionally competent men as the representatives of the affiliated societies and this is a great source of risk in a central institution of this calibre."

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The Supply Unions

There are two varieties of the supply union met with in the Punjab : (i) one of them follows what is known as the *indent system* ; and the other the principles of *co-operative store*. Under the indent system, the members of the affiliated society submit a list of their requirements for a certain fixed period to the affiliated society, and the affiliated society, in its turn, submits a list of requirements (invariably the sum total of the requirements of the members with some alternations) to the Union. The Union, now, on the basis of these indents, purchases the various articles and supplies the affiliated societies with them. Under the system of co-operative store, the Union purchases a variety of articles for the requirements of the affiliated societies and sells them only to the affiliated societies, or the affiliated societies purchase their requirements from the Union.

The Supply Unions are found only in the Punjab and Ajmer-Merwara. In the Punjab they were 126 (but few survive), while, in the Ajmer-Merwara they are only two. And even in the Punjab they have not been a success. The Registrar writes "that there is a marked decline in the number of members and transactions. A number continues work as need arises, as should there still be occasion for buying salt, cloth, etc., but until honest efficient managers can be obtained at a lower salary as appears

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to be the case in England, there is little prospect of a strong co-operative store system being built up. Of the existing institutions as many as 105 report their intention to continue work. Of these 38 intend to try the store system in place of that based on indent."

The Audit Unions

The Audit Union is found only in Madras. Its chief function is to organize the audit of its affiliated societies. The auditors are appointed by the Governing Body from among persons who have been certified by the Registrar to be fit for such work. There is only one Audit Union so far and the result of its working will provide helpful experience in future for the guidance of other provinces. The ever-increasing number of the primary societies has been presenting a real problem to the Registrars and their staff in different provinces, who, ultimately are responsible for this work under the Act. If this decentralizing agency proves a success much of the time and money that is now spent on auditing staff would be saved and utilized for further development of co-operative activity.

The Re-insurance Union

It is found only in the Punjab and Burma. There are only two unions, one in the Punjab, now defunct, and the other in Burma. The Re-Insurance Union receives half the premia received by the affiliated societies and undertakes to insure against the risks already insured by the affiliated

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societies but which are beyond the individual capacity of the affiliated societies and thus provides a useful method of spreading the risks over all the affiliated societies.

The Central Anti-Malarial Society

The Calcutta Co-operative Central Anti-malarial Society is the only union of its kind in India. It has now membership of 204 societies. It gives a monthly grant to its affiliated society which varies from Rs. 5 upwards and assists them to provide medical aid, to clear jungles and to promote in other ways the sanitation and health in their respective areas. It received a grant of Rs. 50,000 from Government to carry on its beneficent activities.

The Milk Union

The milk union also has its headquarters at Calcutta, the number of societies affiliated to it being 54. It supervises, controls and finances the individual societies and undertakes the sale of milk to the consumers on behalf of the affiliated milk societies in the *muffassil*. In addition to that, it maintains cows of good breed of its own and a Montgomery bull. This demonstration activity has had a great effect upon the members who are now anxious to have such bulls in their own society.

The Industrial Unions

There are six Industrial Unions in Bengal and one in the Punjab called the Weavers' Central Co-operative Store.

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Their object is to promote industries in the area of their influence. To achieve this object they grant loans to societies which are their members, arrange for the supply of raw materials, implements and for the disposal to the best advantage of the finished products of the member-societies. They provide for a regular and efficient system of supervision. These societies are doing a good deal towards the promotion of cottage industries in Bengal.

SECTION II—*Central Banks*

“The back-bone of the co-operative movement in India lies in the Central Bank.” The statement as such may appear a little too sweeping to people in Europe, where a Central Bank is expected to do but two purely banking duties of (1) supplying the capital and (2) balancing the funds of the societies. But in India the case is otherwise. Here when a fresh area is to be opened to co-operation the greater part of the pioneer work falls on the central bank of the district. If within the area of influence of a central bank, primary societies require funds to carry on their business, the central bank provides the funds. If primary societies have more funds than they can usefully employ, the central bank offers to take charge of them, and pay for the service too. In most of the provinces the main burden of supervision and inspection in addition to training the members of the primary societies in the principles and

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practice of co-operation, falls on the shoulders of the central bank. The whole co-operative structure in a locality, as it were, revolves round a central bank.

At first these central banks consisted entirely of individual shareholders, but gradually the principle was recognized that societies financed by them should be affiliated as shareholders, and should have a voice in the management and a share in the profits. Hence nearly all co-operative central banks have developed a mixed constitution, in which the societies, depending upon them for their finance, hold shares along with individual shareholders, and are allotted a fixed representation on the directorate. Their interests are further safe-guarded by limiting the rate of dividend payable on the share capital held by individual members. True, an ideal central bank would be one, which had no individual members as shareholders, but under the existing state of backwardness amongst the masses, the existing system is in many respects an admirable arrangement, since it educates and satisfies the reasonable aspirations of these societies and secures the assistance and the goodwill of experienced and influential men of the locality in the management of the bank, without which, the public might, perhaps, be unwilling to repose sufficient confidence in it.

A central bank is, as usual, registered under the Co-operative Societies' Act as a society of limited liability. The

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objects of a Central Bank are to help the operations of Registered co-operative societies within the area of its influence. This object is attained by (1) carrying on banking and credit business (2) by supervising and auditing its member-societies, (3) by the purchase and sale for common account of agricultural implements and produce, (4) by making provision for the educational facilities for the members of the affiliated societies and by adopting such other measures as may be designed to improve the work and extend the usefulness of such societies, and (5) in most of the provinces by acting as the balancing centre for the surplus funds of primary societies and developing co-operative societies within the area of its influence.

Membership: The membership of a Central Bank is open to all co-operative societies within the area of its influence as well as to individual persons.* Persons who join in the application for registration are classed as original members. New members are admitted by the Board of Directors subject to the confirmation of the General Meeting. All members must hold at least one share. Membership is terminated by

- (1) the death of an individual or the cancellation of registration of a member-society, or
- (2) ceasing to hold at least one share, or

* In the Punjab, the Deputy Commissioner of the District is an *ex-officio* member without holding a share.

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- (3) expulsion by the resolution of the Board of Directors subject to the confirmation by the General Meeting.

Every member must take at least one share and as many more as may be determined by the Board of Directors within the limit prescribed by the bye-laws of the Bank. Individual members cannot generally take more shares than the face value of a certain specified amount.* The liability of the shareholders for the debts of the Central Bank is limited to the unpaid portion of the face value of their shares. The liability of a past member or member-society is to be to the extent of the face value of the shares held by him, but only for such debts of the Bank as existed at the time when he or the member-society ceased to be a member, and the liability continues for a period of two years from the date he or the member-society ceased to be a member. The estate of a deceased member

* *United Provinces and Bengal* : No member other than a registered society can hold more than one-fifth of the share capital of the Bank or shares in the Bank of the total face value of more than Rs. 5,000, whichever may be the less.

Burma : Not more than one-fifth of the share capital of the bank.

Bihar and Orissa : Not more shares than represent a nominal value of Rs. 1,000.

Punjab : No member can hold shares whose nominal value exceeds Rs. 1,000, or exceeds $\frac{1}{5}$ of the total share capital actually subscribed.

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is liable for a period of one year to the extent mentioned above.

In the event of cessation of membership on any grounds other than default of share payment, the net value of share or shares held by a member, after deducting all sums due from the member, is paid within six months from the date of cessation. In the case of dissolution of any affiliated society, such amount is paid to the liquidator of the society, or to the person who is legally in possession of the assets of the society.

In the case of the death of an individual shareholder, his shares may be transferred to his heir or nominee if he is eligible for membership and is duly elected as such. Otherwise the value of the shares of the deceased shareholder is paid to the person nominated by the deceased.

The General Meeting: The ultimate authority in all matters relating to the administration of the Central Bank is the General Meeting. It consists of (1) the individual shareholders, and (2) one representative of the shareholding societies, and a few others, either *ex-officio* officials or co-opted persons who are not shareholders.* All members constituting the General Meeting have only

* *Punjab:* Each delegate representing a co-operative society has two votes.

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one vote* each. Voting by proxy is not allowed, except in the case of *pardanashin* women. All questions submitted for decision are decided by a majority of votes. In case of equality of votes the Chairman has a casting vote. One meeting of the General Meeting must be held annually to elect the members of the Board of Directors, and to do such other things as can only be done by a General Meeting. Any other General Meeting may be summoned by the Registrar or by the Board of Directors or at the written request of a specified number of shareholders. For the disposal of business the presence of a specified number of members is essential. The chairman of the Board of Directors or the President of the Bank presides at all General Meetings, and if there is no Chairman of the Bank or he is not present, then the members present at the meeting elect one among themselves as the Chairman of the meeting. The duties of the annual General Meeting are (1) to consider the audit report, Annual report of the Board of Directors, annual accounts and balance sheet, and to review the work of the bank during the past year; (2) if profits admit, to declare a dividend,

* *Central Provinces* : Every member of a share society is a member of the General Meeting and almost all members of primary societies are at present shareholders of the Central Bank, and are entitled to one vote. The Deputy Commissioner or any official not below the rank of an Extra Assistant Commissioner nominated by the Deputy Commissioner, is entitled to sit and vote at all general meetings.

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and to pass resolutions about the disposal of the profits, (3) to fix the maximum amount of borrowings by the bank for the ensuing year; (4) to hear all complaints against the Board of Directors and office-bearers; (5) to take notice of any matter which affects the financial position of the Bank, (6) the election, suspension and removal of the members of the Board of Directors including the Chairman; (7) the amendment of the bye-laws and to do such other things as may be brought before them for the furtherance of the Bank's interests.

The Board of Directors : To carry on the business of a Central Bank the general meeting elect a Board of Directors consisting of from 5 to 15 in the various provinces. Their tenure of office extends from one to three years. Directors are eligible for re-election.* Out of the total number of Directors that are to be elected by the General Meeting a certain fixed proportion is to be elected by the member-societies, while the rest by the individual shareholders. The various classes of directors are elected by the classes whom the directors represent. A director may be removed at any time by the shareholders for incompetency, negligence or other grave misconduct. And an elected director

* *Bihar and Orissa, and Bengal :* No director who has held office for three years consecutively, if re-elected can hold office without the sanction of the Registrar. In Bengal a director who has held office for three years cannot be re-appointed within a shorter interval than two years except with the sanction of the Registrar.

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ceases to hold office if he ceases to be shareholder or to be a delegate of a member-society, or hold place of profit in the bank, or becomes insolvent or fails to attend the meeting of the board either for longer than a specified time or more than a specified number of meetings. Vacancies occurring within the year from any cause are filled by the directors themselves for the term of vacancy.* The Chairman of the Board of Directors is elected† by the General Meeting and holds office for one year. All matters that come before the Board are decided by a majority of votes. In case of equality of votes, the chairman has a casting vote. The Board must meet at least once a month, and as often as may be necessary for the due discharge of their duties. To give the necessary quorum the presence of a certain proportion of the total number of directors is necessary.

* *Bengal, Bihar and Orissa, and Madras* : In the case of a vacancy, such of the remaining members, who represent the class of shareholders by whom the vacating member was appointed, appoint another in his place to hold office till the next annual general meeting.

Central Provinces : The appointment is made by the next meeting of the general meeting.

† *United Provinces* : The chairman is either the collector *ex-officio* or is elected by the directors from amongst themselves for one year.

Madras : The members of the Board of Directors elect one of their number as President.

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Powers of the Board of Directors : The Board of Directors exercises all such powers as entering into all such agreements, making all such arrangements, taking all such proceedings and doing all such acts and things as may be necessary for the due management of the affairs of the bank, and for the carrying out of the objects, for which the bank has been established, subject to the directions given by the General Meeting. Amongst other things it can (1) appoint, dismiss, remove, suspend or otherwise punish any salaried or non-salaried officer or employee of the bank and can ask all or any of them to furnish security; (2) issue debentures, contract loans or otherwise raise capital on behalf of the bank to an extent not exceeding the maximum liability for the year as fixed by the annual general meeting and approved by the Registrar, and to pledge the bank's credit for such loans; (3) to fix the rate of interest on loans; (4) to admit new shareholders, and to allot shares in the Bank; (5) to fix annually the maximum amount of the credit for each of its member-societies; (6) to grant extensions and to consider and pass orders in case of overdue or misapplied loans; (7) to prepare quarterly forecasts of the financial position of the bank and to communicate the same to the Registrar; (8) to examine and check the accounts of the bank and to verify the cash balances; (9) to purchase and stock on commission, sale or otherwise agricultural requisites for sale or hire to the affiliated societies; (10) to

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make agreements for the proper control, inspection and audit of the accounts and working of the affiliated societies, and to arrange, if necessary, for their proper account-keeping; (i) to disaffiliate, subject to an appeal to the general meeting, any society whose administration is unsatisfactory, to sign all papers and instruments by or on behalf of the Bank. The members of the Board of Directors are responsible for the good management of the bank. They are liable to the Bank for any wilful neglect of their duties and for any distribution of profits or assets contrary to the provisions of the Co-operative Societies Act and the bye-laws.

*The Working Committee:** The Board of Directors generally appoint from amongst themselves every year a working committee consisting of from three to five members, and make over to it all or any of the duties assigned to them. In some cases one of the directors is appointed as the Managing Director and well-defined powers are delegated to him. But this is rarely done, except in the United Provinces, where this practice is the rule rather than the exception. In other cases the members of the Board of Directors distribute the various branches

* Assam : There is no working committee. Some powers are delegated to the chairman and the others to the Secretary.

Burma : Here too there is no Working Committee. The Board of Directors itself being limited to 5 members is able to look after the day-to-day business.

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of the work among the individual members, and carry on the duties assigned to them. They may meet as often as the business of the bank may require.

The Manager: Every central bank has a paid or honorary manager appointed by the Board of Directors, and such other officers as an assistant manager, and supervisors or organizers, who carry on, under their supervision, the business of the bank and the supervision of the affiliated societies. The manager carries on the day-to-day business of the bank under the directions either of the Working Committee or the Managing Director or the Secretary (who is found in the Punjab and the Central Provinces). It is the business of the Manager (1) to superintend the working of the office, and to be responsible for the proper and punctual maintenance of the accounts ; (2) to maintain correctly and up to date the register of members, the share list and the list of delegates from the shareholding societies ; (3) to make payments of loans granted to the societies and to procure the due execution of bonds ; (4) to receive deposits and issue receipts for the same ; (5) to buy and sell agricultural produce and other requirements as directed by the Working Committee, to borrow money on behalf of the society, to receive money on behalf of the bank and to give receipts, to pay money due from the bank, to incur contingent expenditure subject to the sanction of the committee, to sign on behalf of the bank and to conduct its correspondence. However, for

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the purpose of endorsing or transferring promissory notes, debentures, securities and documents of titles to goods standing in the name of or held by the bank, or of drawing, accepting and endorsing bills, or of signing receipts, the joint signatures of the manager and of either the secretary or the managing director or the chairman or the deputy chairman or at least one member of the committee are essential.

Capital: A central bank ordinarily obtains its funds from the following sources : (1) shares, (2) deposits, (3) other borrowings, (4) contributions from other financing institutions and primary societies affiliated to it towards the cost of supervision, collection and audit ; and (5) entrance fees and miscellaneous fees. The Central Bank lives mainly on deposits from the public and has succeeded to a gratifying extent in securing public confidence. It also owes a great deal of gratitude to the Imperial Bank and other joint-stock banks many of which grant generous cash credits at a low rate of interest.

Shares: Like a joint-stock bank, every central bank has its authorised capital which is divided into shares*

* *United Provinces, Bengal, and Assam:* There are two classes of shares (1) ordinary and (2) preference. Ordinary shares are held by registered co-operative societies. Preference shares are held by individual persons residing or owning immovable property or carrying on any permanent trade or business within the area of the influence of the bank. Preference Shares carry a dividend not exceeding a fixed percentage (U. P. not exceeding 7%). No addition can be made to the number of preference shares except by a

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of varying denominations in the different provinces. Shares are held both by individual persons and registered co-operative societies. The shares are neither transferable nor withdrawable at the option of the shareholder except (1) when the shareholding-society is dissolved or (2) when it is affiliated to another Central Bank. But with the approval of the Board of Directors shares may be transferred. However, the bank, by a resolution passed at a General Meeting, may buy up shares held by individuals at par and issue them to societies. No premium can be charged on shares. The number of shares and the nominal capital may be increased by a resolution of the general meeting and with the sanction of the Registrar.

resolution of the general meeting and with the sanction of the Registrar. They cannot also be transferred without the sanction of the Board of Directors. The bank, may, subject to the consent of the Registrar buy out at par preference shares from the preference shareholders and reissue them as ordinary shares.

Central Provinces: The authorised capital is divided into shares of Rs. 10 each. This capital may be exceeded by the issue of any number of additional shares of Rs. 10 each to registered co-operative societies that become members of the bank and of any number of shares of Rs. 5 each to individual members of societies that have no share capital of their own. Any other increase of the share capital is forbidden except when it is approved by the general meeting and duly sanctioned by the Registrar.

Bihar and Orissa: There are no preference shares as such but the individual shareholders get a preference dividend up to usually 9 $\frac{3}{4}\%$, and there is a limit of 12 $\frac{1}{2}\%$ to the amount of dividend which may be paid.

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The Utilization of Funds: Funds at the disposal of a central bank are utilized in granting loans or cash credits to affiliated co-operative societies only. As a general rule individual persons holding shares cannot get loans.* If at any time there is excess of loanable funds in a Central Bank, it may deposit its funds either in a joint-stock bank approved of by the Registrar or with the Provincial Bank. The rate of interest on loans is determined from time to time by the general meeting but usually there is a maximum rate fixed for the province.† In Madras the practice is to give loans either for one year or for 10 years, and these are respectively called short term and long term loans. Loans from a central bank are secured by a pro-note executed by the borrowing society. The pro-note is one payable on demand, even in the case of long term loans. It is necessary for legal reasons that the money should be payable on demand, since otherwise it is impossible to pledge the pro-note and raise money on

* *Madras:* Loans may also be given to individual shareholders. In *Bombay* and *Burma* also Central Banks give loans to individual members. While in *U. P.*, *Assam*, *Bihar* and *Orissa* with the general or special sanction of the registrar, loans may also be given to a registered society, which is not affiliated:

† *Bengal:* not to exceed $10\frac{15}{16}\%$ per annum. *Burma*: 10%.
United Provinces: not to exceed 12% per annum. *Madras*: $8\frac{1}{2}\%$.
Bombay: 7 to $7\frac{1}{2}\%$.

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it, when the Central Bank is short of funds. There is, however, a perfectly clear understanding when the loan is given as to what the periods of repayment should be. The repayment *kists* are fixed by the Board of Directors at the time the loan is granted, and the board has power to grant extension of time in exceptional circumstances. If any instalment be unpaid on the due date, the bank may, unless sufficient cause is shown, levy penal interest on the amount of the instalment unpaid. If an affiliated society fails to pay interest or any instalment on the due date, and if the Board of Directors does not grant an extension of time, the whole loan becomes immediately payable. In the case of paucity funds the Central Bank may arrange a cash credit either with a joint-stock bank or the Provincial Bank, and has power to transfer to it the bonds passed by the affiliated societies, when they are required as collateral security.

Profits and how they are distributed: Of the annual profits after interest on borrowings, overdue interest, salaries of officers, clerks and menials, postage remittances, stationery charges, losses and miscellaneous expenditure have been met with, 25% of the remainder is credited to the Reserve Fund. The balance plus any savings that may be there out of the profits of the past year available for distribution is generally utilized for the following

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purposes :* (1) to the payment of a dividend;† (2) to the formation of a depreciation fund, building fund or fund for the equalization of dividends and (3) 7½% of net profits to any purpose approved of by the Registrar such as the relief of the poor, education, medical relief, and the advancement of any other object of general public utility or to a common good fund to be devoted to any of these purposes.

The Reserve Fund: The reserve fund consists of (a) 25% of the profits annually placed to the fund, (b) any further sum allotted to it out of the profits, (c) admission fees after deduction of the preliminary expenses

* *Burma:* In addition to the above, such amount as the general meeting on the proposal of the Committee of Supervision may grant not exceeding 5% may be spent in paying as honorarium to the committee members. Another 5% may be spent in furthering the growth of co-operative methods.

Madras: A sum not exceeding one-eighth the net profits may be paid as honorarium to the Secretary.

Assam: A sum not exceeding 15% of the net profits may be allotted for rewarding the directors who perform the duties of the secretary, treasurer and accountant.

Bengal: A bonus may, if funds permit, be given to the paid employees of the bank.

† *Punjab:* Dividend not to exceed 12%: *Bombay and Madras:* Not to exceed 9%: *Central Provinces:* Not to exceed 12%. *Bihar and Orissa:* Not to exceed 9½%: *U. P.:* Not to exceed 7%. *Bengal:* From 6½ to 9¾%. *Assam:* Maximum 12½%.

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incurred in constituting the bank, and (*d*) the value of all shares forfeited to the bank, and lapsed dividends and fines.

It belongs to the society, as a whole, and is not divisible among the members. It is available* (*a*) to cover any losses arising from any unforeseen circumstances, such drawing upon it being reimbursed to the fund from the next accruing profits, (*b*) as working capital of the bank but here it will be used only as a loan from the fund ; the sum taken being reimbursed to the fund as soon as available, and (*c*) to serve as security for any loans which the society may have to contract.

In the case of dissolution of the Bank, that part of the Reserve Fund that may be left over, after meeting the liabilities of the bank, is applied to such purposes as may be determined, with the approval of the Registrar by the majority of the members. Except in Burma, it is not available for distribution amongst the members even on the dissolution of the bank.

The total number of central banks in India is 378. Their distribution in the various provinces being as follows:—

Punjab	...	...	...	41
United Provinces	...	...	...	64

* Assam, Madras, and C. P. With the previous sanction of the Registrar, the reserve fund may be utilized for meeting the loss of any particular year, provided that no dividend on shares is paid that year.

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Assam	19
Madras	32
Ajmer	4
Bihar and Orissa	57
Coorg	1
Bombay	19
Central Provinces	35
Burma	...	...	...	20
Bengal	...	...	...	88
				<hr/>
			380	<hr/>

In the early days of co-operative activity in India it was not possible for the ordinary village society to attract local deposits sufficient to meet all the needs of the members, and the chief function of the central bank was to supply capital drawn from outside the movement to societies. This continued to be the case well up to the year 1913-14, when the Maclagan Committee found that out of the total working capital of primary societies 53% was made up of loans from the central and provincial banks. And although the situation has been greatly modified during the last 10 years, and the figures have now been brought down to 31% for all the various kinds of primary societies and for India, as a whole, yet even today the village credit society in most of the provinces mainly depends upon funds borrowed from the central bank.

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and the position of these banks, as the chief financing institution for agricultural credit societies, continues as strong as ever. But there are certain areas in India, such as the district of Jullundhar in the Punjab, where, the "Central Bank deals far more with other Central Banks than with societies affiliated to it. The latter bodies are rapidly accumulating more and more funds of their own, so that, unless the credit movement can be expanded in that district, a time will come when this institution will cease to function as a district central bank." The Registrar looks upon this as a problem, and is uncertain as to "what is to become of these central banks when their district societies no longer require loans from them." To us, this stage, when reached, instead of presenting a problem and being a source of anxiety as to the place of the district bank in the future co-operative organization in India, would be the red letter day of the movement. Even as they are, the central banks are not mere suppliers of funds to their affiliated societies. They act as the balancing centres of funds as between their affiliated societies, as the organizers of common purchase and sale of either trade or domestic requirements of the movements of their affiliated societies, and do a great deal in organizing new co-operative activities, and in supervising, inspecting and controlling the old ones. Even if the primary societies become self-sufficient as regards funds, they must continue to need the guidance of a central banking organization for the

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development of their surplus funds and for meeting monetary needs at certain times. And even if we develop new forms of central organizations for education, supervision, control and propaganda, as some provinces are doing, even then, we must have some institution for taking off the extra funds from the primary societies in one locality to others in need of them in another locality. The other important function of a central bank, and which in Europe has been and is the chief function of such institutions is the education and training in finance it affords to directors representing village societies. In years to come it is to be hoped that all central banks will pass completely under the control of such directors who will have acquired all the training necessary to ensure sound financial management.

SECTION (III)—*Provincial Co-operative Bank*

The MacLagan Committee were strongly of opinion that each province in India should have an apex bank. They thought that although the introduction of the union system in certain provinces provided "adequate additional assistance to the Registrar in the matter of supervision and audit of primary societies, it is by no means complete as regards finance. In the absence of an apex bank central banks have to make such arrangements as they can, either by circularizing each other or through the Registrar, to lend out their surplus funds or to borrow to meet their needs. This system is inefficient and uneconomical when the work

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is done by the Central Banks themselves and if it is carried out by the Registrar entails a substantial addition to his already onerous duties. Moreover uncontrolled inter-lending among central bank involves an inter-locking of liabilities, which may well lead to trouble." They recommended that "an apex bank of this nature should have as its express objects the direction of provincial finance by the control and support of central banks. Central banks should be prohibited from dealing with each other or with presidency or joint-stock banks except through its medium, while, it should itself be obliged to confine its dealing with co-operative institutions to central bank and leave to them the work of dealing with societies."

Acting on this advice, practically all the major provinces in India, United Provinces of Agra and Oudh excepted have now a provincial co-operative bank. However, with the exception of provincial banks of Bengal, the Central Provinces and the Punjab, the provincial banks of all the other provinces have practically the same constitution as an ordinary central bank. In some provinces notably Burma, Madras and Bombay the present provincial banks were originally started as district banks, which, in course of time by the force of circumstances have come to function as the provincial banks and this explains their similarity to the district banks. Even in Bengal, which originally developed its provincial bank purely on the lines recommended

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by the MacLagan Committee and which had its membership confined to the central banks only, we now find primary societies admitted as members. So that even today we have no provincial banks which may be looked upon as a true federal institution; majority of them have individuals as well as co-operative societies as their members and all of them allow societies other than central bank to hold shares in their capitals.

But whether it be a provincial co-operative type as found in Bengal and the Punjab or it be a provincial bank which has developed from a central bank its object is to lend money to central banks and to such other co-operative societies which may not be affiliated to any other central bank, and to balance their surpluses and deficiencies.*

* *Madras:* Although in every province it is the duty of the provincial bank to control and supervise Primary Societies not affiliated to any central institution, in Madras the provincial bank has a separate supervision fund which is raised by (1) setting apart a certain percentage of the interest realized on all loans advanced by the provincial bank; (2) by setting apart a certain percentage of the interest of the accumulated reserve fund; (3) by levying a certain percentage on all sums borrowed by societies from sources other than the provincial bank or a district bank and by levying contributions towards supervision fund from other financing agencies. The provincial bank does not, unless requested by a supervising union, interfere with the internal management of these unions but concerns itself mainly with the general policy to be adopted by them and among other things, it studies the possibilities of future development of co-operative activity in close consultation with the supervising union.

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In the type which is met with in Bengal, the Punjab and the Central Provinces* the membership is confined to co-operative societies only, while, in the other provinces both individuals and co-operative societies hold shares. The liability of members is limited to the face value of the shares held by each. The supreme authority, as usual, is vested in the general meeting of all shareholders. Every member has one vote irrespective of the shares held by him.* The chief executive body for transacting the business of the society is the Board of Directors, the majority of Directors are elected by the general meeting. The Registrar is an *ex-officio* member of the Board of Directors and there are a few other directors who are outsiders and who represent either the interest of depositors or supply the necessary business and banking ability.†

* *The Central Provinces:* The bye-laws permit individuals to hold shares, and there is a special provision for their representation on the Board of Directors. But actually there are no individual shareholders.

† In Burma, 14 members are elected by the general meeting. And all chairmen of the district co-operative banks and of unions of co-operative credit society and the manager are *ex-officio* members. The voting power of shareholders is as follows :—

Number of shares	Votes.
1 to 3	1
4 to 6	2
7 to 9	3
10 to 14	4
15 to 20	5
21 to 25	6

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They carry on the business of the society within the limits laid down by the general meeting. And usually, as the Board of Directors is an unwieldy body, they elect out of themselves a small working committee* to which those of their powers which are approved by the general meeting are delegated. To carry on the day-to-day business they have a manager and other ministerial staff under him who work under the immediate directions of the working committee. The duties of the directors are : (1) to lend money with or without any security of property, whether movable or immovable or documents of title and to grant cash credits ; (2) to fix the maximum credit of the societies and to alter it as may be required with the sanction of the Registrar ; (3) to raise funds subject to the orders of the general meeting ; (4) to consider cases of overdue loans and pass orders thereon, making such arrangements

Bombay: Two or three of the directors are generally elected from among the members of the registered society and the rest from among the individual shareholders.

Central Provinces: The board of directors is constituted of (1) the Governor, Co-operative Federation, C. P. and Berar ; (2) one representative from each central bank which is a member of the bank and four representatives from individual shareholders.

Bihar and Orissa: Two directors are nominated by the Guarantee Shareholders, 3 directors elected by the central co-operative banking unions, Registrar and the remainder are elected by the general meeting. *Punjab:* The board of directors consists of the Registrar, and other representatives elected by the general meeting.

* *Burma:* There is no working committee.

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as may be necessary to provide against loss; (5) to compromise any debt or refer the same to arbitration or to give time to any debtor for the payment of his debt; (6) to allot, call in, and redeem shares in the bank on its behalf; and (7) to appoint, dismiss or otherwise suspend any officer, clerk, or menial servant of the bank, and to fix their remuneration and generally to control them.

The following are the duties of the manager: to summon and attend all meetings of the board and the Managing Committee, to record or cause to be recorded the proceedings of all meetings, the meetings of the board of directors and of the working committee, to sign on behalf of the bank such papers as the board or the managing committee may empower him to sign, to conduct all correspondence on behalf of the board and the Managing Committee and generally to supervise and manage the business of the bank such as to grant loans up to the maximum credit fixed and to procure the due execution of the bonds, to receive deposits and issue receipts for the same.

Working capital: It is derived from share,* debentures† (in the Punjab, Bombay and Burma only), deposits, outside loans, cash credits and fees.

* *Bihar and Orissa*: The initial capital of the bank was divided into two kinds of shares: Guarantee Shares of Rs. 100 each, and Preference Shares of Rs. 500 each. Preference shareholders rank for dividend after the guarantee shareholders, and shall receive a preference over any shares subsequently issued up to 6% per annum on the amount paid

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The funds are usually utilized in lending money to the central banks and to the other societies which may not be affiliated to any central bank. But in Madras, Bihar and Orissa, Bombay and C. P. loans are also given to individuals.

up. The amount paid up in respect of any guarantee share earns a dividend of 6 per cent. per annum, and a Commission of $\frac{1}{2}$ per cent. is payable on the balance. This Commission is a first cumulative charge on profits. In all other provinces the shares are ordinary shares.

* The debentures issued by the Bombay Co-operative Provincial Bank have the guarantee of the Government behind them. Under the agreement between the bank and the Secretary of State the bank has the power to raise moneys not exceeding three times the amount of the paid-up capital of the society by the issue of debentures charged upon the undertaking and general assets of the society, provided that the society cannot raise more than Rs. 20 lakhs by the issue of debentures without the previous sanction of the local government. All such debentures issued by the society shall be secured by a Trust Deed to be executed by the society. The rate of interest to be paid by the society on its debentures shall be 4% per annum. The Secretary of State shall guarantee the payment of interest at the rate aforesaid on each such debenture until such debentures shall be wholly paid off or redeemed; but shall not guarantee the repayment or redemption of any part of the principal money. Each debenture issued by the society shall be paid off or redeemed on the expiration of 41 years from the date of issue, provided that the society shall have the option to pay off any such debenture at any earlier date subsequent to the expiration of 28 years from the date of its issue. The society from the date of the first issue of debentures shall establish a sinking fund and to the credit of this fund shall be paid at the close of each financial year of the society a sum which shall be

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Disposal of Profits: Of the annual profits, after paying interest on borrowings, salaries of managers, clerks and menials, contributions to employee's provident fund, if any, and other incidental office expenses, what remains is classed as net profits* and is disposed of as follows :†

(1) 25% or as much more as may be determined by the general meeting is carried to a reserve fund.

(2) Out of the remainder a dividend not exceeding a certain percentage[†] may be distributed.

calculated at the rate of 1 per centum or at the rate of 2 per centum of the amount for the time being remaining unpaid on such debentures then outstanding according to the average rate of interest charged by the society on advances to co-operative credit society during such year. That debentures issued and the interest payable thereon shall form a first charge on the assets of the society.

* *Bihar and Orissa*: In addition to the above items, commission and dividend on the Guarantee Shares are also deducted before arriving at the net profits.

[†] *Punjab*: All the net profits will go to the sinking fund, so long as the debentures will remain unredeemed. No dividend is payable to the shareholders so long as any of the debentures shall remain unredeemed. During this period, the bank, shall, each year give its shareholders a book credit of the amount of its annual profits carried to the sinking fund which would otherwise have been available for dividends. When all the debentures shall have been redeemed, the sum thus carried to credit shall be added to the share capital of the bank, and be treated as held by the shareholders according to the book credit given.

‡ Madras	9%
Bihar and Orissa	12%

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(3) The balance may be utilized in one or more of the following ways :—

- (a) a sum not exceeding a certain percentage or a certain sum may be paid as honorarium either to the Secretary only as in Madras, or to the manager or to the members of the Board of Directors as in Burma :
- (b) a sum not exceeding $7\frac{1}{2}\%$ may be set apart as common good fund to be utilized according to the provisions of the Act :
- (c) a sum not exceeding 5% may be set apart for co-operative propaganda (in Burma only) ;
- (d) a sum approved by the general meeting may be placed to a Building Fund or to any other fund such as the Dividend Equalization Fund or a fund for the benefit of the employees and so on :

Reserve Fund: The Reserve Fund has very much the same place in the provincial co-operative bank as in other credit banks. It can be utilized to cover any losses or to meet repayment of sums due by the bank which cannot be met otherwise, such drawings upon it being reimbursed to the reserve fund out of the next year's accrued profits. Its real function is to serve as security which

Central Provinces.. 12%
Punjab 7%
Burma 30%

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the bank may have to contract. It belongs to the members of the bank collectively and in the case of dissolution after meeting losses and the payment of the share capital, if anything is left, it is to be utilized for some public purpose benefiting co-operative societies at the discretion of the general body and if that body fails to name an object, then at the discretion of the Registrar. However, in Burma, the residue remaining after all amounts due by the bank have been paid, is to be divided among the shareholders, who may hold shares at the time of dissolution, in proportion to the number of shares held by each one of them.

There are eight provincial banks in India, one in each of the following provinces : Assam, Bengal, Bihar and Orissa, Bombay, Burma, Central Provinces, Madras and the Punjab.

From the reports of the Registrars it appears that all of them are working satisfactorily. But most of them seem to suffer from either of the two defects. Either they experience a difficulty in finding an outlet for their funds within their respective areas of influence or they suffer from want of sufficient funds. In Bombay, Central Provinces, Bengal and Madras they had more funds than could be employed within the movement. Thus in Bombay "Even when towards the end of the year the Imperial Bank Rate went up to 9 per centum, and the local banks

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were offering the same high rate, the Provincial Bank instead of being obliged to raise its rate of 6% actually reduced it by $\frac{1}{2}$ per centum. This step was possible because fixed deposits from central banks and societies increased steadily from 37 lakhs in September to 51 lakhs in March. While the resources of the Bank expanded satisfactorily there was unfortunately not a corresponding extension in advances made to co-operative societies and central banks." The common devices adopted to engage such extra funds are either to invest them in securities or to deposit them with some outside bank or to invest them in the co-operative provincial banks of other provinces. Thus the Bombay Provincial Bank had 25 lakhs deposited in securities. While the Central Provinces Bank had its surplus of 21 lakhs invested in Government securities, short term deposits with commercial banks, and fixed deposit with the Bihar and Orissa Bank. Similarly the Madras Central Urban Bank (the Provincial Bank) had to invest about five lakhs of rupees in Bengal Provincial Bank during the years 1923-24.

In Burma, and Bihar and Orissa on the other hand, the Provincial Banks felt the paucity of funds. In Burma this was felt acutely at the time of financing the cultivation of crops, and they evolved the system of receiving "credits repayable at harvest on the security of the promissory notes of District Banks and societies It is hoped that if the scheme can be worked successfully there will be some

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increase in the elasticity of the banks' funds." In Bihar and Orissa, Bengal and Madras they have succeeded in securing cash credits from the Imperial Bank. Bengal is the only province where the Provincial Bank had "no difficulty, in satisfactorily investing its comings. In fact in May 1924 it was glad to receive and accept an offer of 5 lakhs from the Madras Central Bank." It invested its surpluses mainly in the 5% Government Loans. Besides this they in Bengal have initiated the practice of making the "surpluses of co-operative money accumulated in the Provincial Bank in the slack season (of agriculture), available for the needs of outside trade and commerce through the joint-stock banks to the advantage of both parties."

In every province the movement has, of course, its tight period, but generally this period coincides with the slack season in trade and commerce, while its surplus season coincides with the period of tightness in the latter. Therefore this system initiated by Bengal has tremendous possibilities in solving some of the difficult problems connected with the money-market of the provinces.

Should we have an All-India Co-operative Bank?

From the brief account given above of what is being done in different provinces to meet the situations created by the deficiency and excess of funds within the co-operative movement, it should be clear that so far we have not succeeded in evolving a uniform and consistent policy. Each province has tried to meet the situation in its own way.

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The Bengal Co-operative Journal has suggested the organization of an All-India Co-operative Bank to balance the deficiencies and excesses of funds in the various provinces, as well as, to make it possible for the co-operative institutions to utilize the funds of trade and commerce when not needed by them, and to make it possible for trade and commerce to take advantage of co-operative money when it can be spared with safety from the movement itself. It is a very tempting suggestion indeed. But after giving it some serious thought I have come to the conclusion that there is absolutely no need of having this new institution with all its expense, and that because we can secure all the various advantages that an All-India Bank is calculated to give, provided the Provincial Banks in the different provinces succeed in securing a greater degree of co-operation on uniform lines from the Imperial Bank of India. Already in some provinces the Imperial Bank has begun to grant cash credits to the provincial banks to enable them to tide over the period of tightness within the co-operative movement. While in Bengal as noted above the Provincial Bank has made it possible for commerce and trade to tide over the period of tightness in the money-market, by making the co-operative money available through the joint-stock banks. I should prefer the Imperial Bank to play here also the role of the intermediary as between the money-market and the co-operative movement. It should not be difficult to evolve a

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scheme acceptable and at the same time advantageous both to the Provincial Co-operative Banks and the Imperial Bank, if the Registrars of Co-operative Societies in the various provinces, the Governors of the Imperial Bank, and the Government of India were to lay their heads together. By adopting this method we shall have solved the problems that have been confronting the Provincial Co-operative Banks and at the same time secured for the country all the advantages of centralized banking. So far it has not been possible to draw the small savings of the rural masses and one great thing that the co-operative movement has begun to do, and is likely to do to an ever increasing extent is to attract the rural savings and if we have a separate All-India Co-operative Bank, there is the danger of that money remaining aloof from the money-market of the country, while the expanding trade, commerce and industries of the country require and will continue to require more and more all the available resources in fluid capital. And if the co-operative organization is linked to the money-market directly through the Imperial Bank, the desired end is sure to be attained.

Of course the Imperial Bank with its present constitution burdened with a host of limitations may not be able to serve the money-market with as much ease and freedom as it should. But this only means that some of these limitations will have to go, and the constitution changed. And that must be done if the Imperial Bank is

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to play the part of the Premier Bank of India, as the Bank of England does in the British Isles abroad.

The co-ordination as between the co-operative finance and the general money-market as contemplated above will not only mean a change in the policy and constitution of the Imperial Bank, but would also mean a change in the policy so far adopted by co-operative credit societies. The Imperial Bank or, for the matter of that, any commercial bank cannot lend greater part of its money for long periods. They must necessarily lend only for short periods and the co-operative bank cannot take such loans to be reissued for long terms. It will therefore be very essential for the co-operative financing institution to introduce the distinction between short and long term loans in the co-operative banks both primary and secondary. Unless this system is introduced short term loans cannot be taken from the Imperial Bank and utilized in the movement. An attempt is being made in Bengal and Assam to introduce this distinction, but the clients of the society have not yet come to see the advantage of this system. They insist on long term loans even for financing crops. Although it is an uphill task to make the people in the *muffassil* realize that until this system is introduced the resources of the co-operative movement cannot be rapidly increased with the assistance of the Imperial Bank, yet it is so full of promise that the labour that it is likely to cost is well worth undertaking.

CHAPTER VIII

ORGANIZATIONS FOR THE DEVELOPMENT OF CO-OPERATION

So far we have been attempting to give an idea of co-operative organizations that have come to exist in India during the last twenty years to meet the various needs of the rural and urban population. Now it is time to study the various organizations that have come to exist to guide and control the institutions that do exist, and to bring into life others in localities that need them. It is needless for me to repeat that in India "the originator of the movement and its first sponsor was the Indian Government, which took up the attitude that the need of co-operative organization amongst the people was urgent and that as a matter of public policy, the movement should be fostered in every possible way." To secure this end they appointed Registrars, and to these Registrars fell the duties of arousing public interest, of persuading honorary workers to come forward, of determining the lines of development, preparing model by-laws, prescribing account forms, training Managing Committees and their secretaries, of auditing and inspecting, of cancelling a society if proved a failure, and generally of so running the movement as to develop businesslike habits in the societies and a brotherly spirit among the members. This was inevitable until the new idea had taken root. That such nursing

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of societies by an official agency, however sympathetic, is unquestionably contrary to the genius of co-operation, and tends to stifle the spirit of self-help, which is its aim to promote, the various governments have realized from the very start, and have succeeded in varying degrees in their efforts to de-officialize the movement in their respective provinces. But taking a general view of the situation one feels justified in saying that barring one or two provinces, the movement, as a whole, is yet holding to the leading strings of the Government, and that the Registrar with his staff yet continues to be the chief moving factor. In some provinces notably the United Provinces and the Central Provinces it is due to the apathy of the public, while in others such as the Punjab and Madras it seems to be due to a laudable motive on the part of the controlling authorities, to substitute an internal and democratic control for one that is external official or non-official. Here the authorities seem to believe that "the alternative to official control is clearly not outside control by non-official amateurs, however philanthropic their intentions may be, but self-control." In pursuance of this dictum they have been steadfastly aiming at creating gradually out of the primary societies some form of autonomous organization built up from the bottom, to which many of the functions originally exercised by the official staff have been transferred. Some of these autonomous organizations we have already studied

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under the Unions such as the Banking Union, the Guaranteeing Union and the Supervising Union.

This process of substituting non-official control from within for the official control has been naturally slow, as it is not an easy task to train an average member of a primary society, illiterate and uninformed generally as he is, into the functions of supervision and control, with the result that the powers of the Registrar in relation to the co-operative movement, as a whole, remain much the same as they were in the beginning. But a beginning has been made and in course of time the movement will become self-supporting.

SECTION I—*Official Agency for the Development of Co-operation*

The Registrar

In every province of British India there is the Registrar who is the official head of the movement. The Registrar of co-operative societies is not, like the Registrar of Joint-Stock Companies, merely a recording officer, who receives and tabulates the statutory returns which the registered companies have to submit. Here the Registrar is given authority to use his discretion in the discharge of almost all duties assigned to him by the Act. The effect of the exercise of this unfettered discretion is to make him, to a certain extent, responsible for the results produced thereby. Thus in section 4 of the Act, it is put

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down that a society which has for its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society which has, as its object, the facilitation of the operations of such a society, may be registered. Section 9 further states that where the provisions of the Act and Rules have been complied with, the Registrar may, if he thinks fit, register a society and its bye-laws. The same discretion is allowed in the case of an amendment to the bye-laws. Section 17 provides that the Registrar shall audit or cause to be audited by some person authorized by him by general or special order in this behalf the accounts of every registered society at least once in every year. It also gives him or anyone authorized by him in writing the right of access to all the books, accounts, papers and securities of a society and requires every officer of the society to furnish such information in regard to the character and working of the society, as he or the person so authorized may require. Further, under Section 35, the Registrar may, of his own motion, hold an enquiry or direct some person authorized by him in writing to hold an inquiry into the constitution, working and financial condition of a registered society, and again all officers and members are required to give such information as may be asked of them. Under Section 39, if after an enquiry or inspection, the Registrar is of opinion that a society should be dissolved, he has the power to cancel its registration. No restriction whatever is placed

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upon the discretion granted to the Registrar under this Section, nor are the grounds on which the dissolution should be ordered in any way indicated. An appeal is allowed against his order which means only that the reasons for dissolution must be substantial and such as can be appreciated by the appellate authority.

Section 3 (2) (c) allows the Local Government to make the Registrar a sort of High Court for the settlement of all internal disputes occurring in a society, and this power has been taken advantage of in every Province. The result of these various provisions is that the "Registrar is placed in a sort of paternal position in regard to every society. He defines the terms on which alone it comes into existence. he has the power to keep himself fully informed of its working, and he has full discretion to bring its existence to an end, if he thinks such a course desirable.

The reasons for the assignment of so much discretion should be obvious to those who are at all acquainted with the life of agriculturists, artizans and other persons of limited means in India, for whom these societies are meant. Their education is, as a rule, extremely defective. In many provinces indeed the majority of them are illiterate and their knowledge of business is far from being such as to enable them to create for themselves institutions either of a co-operative or of any other character. Co-operation

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depends absolutely for its success upon the realization of his personal responsibilities by every member of the movement, upon the character of each member, his ability to earn profit and his readiness to sacrifice himself and give the interests of his fellow-members the same value as that which he attributes to his own. To be truly co-operative it must be autonomous, and as a result it follows that the co-operative movement is something more than a method of granting corporate existence to business associations. It is "a great scheme of adult education both in the business and in the moral sphere, and as such depends for its success upon two things—*efficient teaching* and *efficient inspection*." The duty of organizing an efficient service of inspection and audit is specifically placed upon the Registrar by the provisions of the Act. His duties in regard to the provision of instruction are not so definitely prescribed, but inasmuch as the discovery of faults in administration and working is useless, unless a means exists of eliminating them when found, it is obvious that the intention is that he should also be responsible for the organization of instruction. At first sight the powers of the Registrar in relation to co-operative activity may appear very wide, but rightly judged they are but a sort of residual powers, which are to be exercised either in cases of grave emergency or calculated to guarantee the working of co-operative societies on sound and healthy lines. In most cases the decisions of a General Meeting

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are not subject to the supreme authority of the Registrar. He has no power of veto. His power is practically confined to cancellation of registration. He is expected to exercise influence more by teaching the members what is best for them to do. His true role in the movement is that of a "guide, philosopher and friend," who, because he is the representative of the government and because the movement has been initiated by the government and is supported by them in all possible ways has to see that the concessions and the privileges conferred on the societies are not abused by them, and therefore is empowered with the powers discussed above so that he may safeguard the interests committed to his charge.

The wide powers that the Registrar has in relation to the co-operative movement have resulted in a host of duties and various responsibilities an idea of which one can get from the quotation below :—

"Under the Act it is the duty of the Registrar to receive and enquire into applications for registration; to register the bye-laws of societies and amendments to them; to audit the accounts or cause them to be audited; to make a valuation of the assets and liabilities of societies, and prepare a list of overdue loans; to see that the Act, rules and bye-laws are observed; to make special inspection when called upon to do so; to dissolve or cancel societies and to carry out their liquidation. In order to fulfil his

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duties he must be continually studying the co-operative literature, which is now most extensive; he must make himself acquainted with economic conditions and practices both throughout India and in his own province; he must know the principles and methods of joint-stock banking; and must examine the systems of developing thrift and inculcating co-operation which have been tried in other countries. He is also head of a teaching establishment, and must devise effective means for imparting real knowledge of co-operation to the bulk of the population. He has further to control a large staff, to draft model bye-laws and rules, to collect statistics and write reports, to advise Government on various subjects, and to keep in close touch with the higher finance of the movement as managed by Provincial Banks and Central Banks. In addition to this he must attend co-operative and agricultural conferences, must keep in constant touch with markets, with honorary organizers and other well-wishers and various departments of Government, and must undertake a certain amount of writing and reading for the official press and for co-operative journals. As Mr. Wolff has put it to us, the Registrars should not be set down as officials but as *guides*, *philosophers*, and *friends* to the societies, appointed and paid by the State. It must further be remembered that there is no finality in the Registrar's work and he can never feel that it has been cleared off and brought up-to-date. He will always feel the need of wider reading and of giving more and more supervision

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and teaching to his societies. New means and methods to attain fresh ends must constantly be discussed and devised. His work is, moreover, highly responsible involving a watch over large sums of money deposited by the public and a share in the responsibility for the economic fate of a province."

* From a reading of the above quotation it is not difficult to realize that it is beyond the capacity of any one man to do all these things himself; therefore to carry on his diverse duties and responsibilities the Registrar in each province has a number of officers to assist him, and to them he delegates some of his powers which they exercise within the areas assigned to them by the Registrar. The tendency in the provinces now is to leave for the Registrar only the work of looking after the important general problems of the movement. But the ultimate responsibility is his. All other officers work on his behalf and under his guidance. The cadre of such officers generally consists of (1) the Deputy Registrar; (2) the Assistant Registrar, (3) the Junior Assistant Registrar and (4) the Inspector. The table on the next page gives an idea of the kind of officers and their strength in each province:—

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Province	Officer Registrar	Deputy Registrar	Assistant Registrar	Junior Assistant Registrar	Inspector	Special Officer for Registration	Remarks
Assam	...	1	1	1	6	...	The Deputy is called the Joint Registrar.
Burma	...	1	11	32	...	...	...
Bengal	...	1	...	4	66	...	...
Bihar & Orissa	...	1	...	8	...	3	...
Bombay	...	1	...	7	1	10	The Junior Assistant is known as the Deputy Assistant Registrar.
C. P. and Berar	...	1	2	...	...	...	One of the Deputies is Senior to the other.
Madras	...	1	...	23	...	358	Of the Inspectors 30 are Chief Inspectors.
Punjab	...	1	2	7	...	105	Of the Inspectors 48 are Sub-Inspectors.
U. P.	...	1	1*	2	27*	...	...
Ajmer Coorg	...	1	...	1	3	...	...

* In future the United Provinces are going to have 2 Deputy Registrars, 10 Assistant Registrars and 52 Inspectors. The present Junior Assistant Registrars will in future be known as Inspectors.

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In addition to the officers mentioned above who carry on among themselves the various duties of the Registrar, in some provinces the technical nature of the work of auditing accounts has led to the formation of a special audit service, the details of which are given in the table below :—

Province	Chief Auditor	Divisional Auditor	District Auditor or	Assistant Auditor
Assam	1	..	3	..
Burma	...	...	...	...
Bengal	1	2	..	1
Bihar and Orissa	...	...	..	..
Bombay	...	..	..	40
C. P. and Berar	2	..	Yes	..
Madras	...	...	..	..
Punjab	...	..	..	..
U. P.	...	..	..	..
Ajmer	...	..	..	..
Coorg	...	..	..	..

From this table it is clear that so far the work of audit is mainly done by the Registrar's staff in those provinces

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where there are no special officers such as in Burma, the Punjab and the United Provinces. However in Burma "the work of audit is being transferred to non-official agency, and in Ajmer the auditors, though they work under the Registrar and are entertained by the Co-operative Department are not paid by the Department, but out of a fund to which the co-operative societies have to contribute 20 per cent. of their annual net-profits. In Madras they have organized an Audit Union and the idea seems to be to transfer the work of audit of the primary societies to the unions if the experimental union proves a success. In most of the Provinces the societies have to contribute an audit fee but the greater part of the expense is borne by the Government.

Recruitment for the Co-operative Service

So far the general practice has been to recruit officers of the various grades in the Co-operative Department from amongst the members of the Indian, the Provincial and the Subordinate Civil Services. However, this does not apply to the inspectors, who have been generally recruited from outside these services, and employed in the Department after undergoing some sort of training for the special work they are called upon to do. But of late the tendency seems to be to make the co-operative service a self-contained one. This tendency is particularly noticeable in Madras, Bengal and has been carried to its logical conclusion in Burma. There "the reorganization of the Department was carried

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out during the year 1922-23. In future, the officers of the Department apart from the Registrar and the Joint-Registrar will be divided into the Burma Civil Service (Co-operative Branch) and the Subordinate Civil Service (Co-operative Branch). The charges of the Assistant Registrars will normally be held by the members of the former and the charges of the Junior Assistant Registrars by members of the latter service. The scales of pay fixed correspond to the scales in the regular line of the Burma Civil and Subordinate Civil Services." Recruitment to these services will be carried out in an independent way and not by drafting permanent members of the Civil Service for temporary service in the Co-operative Department as was so far the case in Burma and is now the case in other provinces.

This is a welcome departure which augurs well for the development of the co-operative movement. Officers who come from the regular cadre of the Provincial and Subordinate Civil Services, have their heart naturally in their own Departments and are generally anxious to revert to their own service after a few years when they have established their claim for promotion by doing meritorious service in co-operation. This may be well for the individual officers concerned, but for the co-operative movement it means a serious loss. Men when they have grasped the ins and outs of the movement and when they are really fit to do some service to the movement are taken away from it and replaced by others to be tutored afresh.

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This method of recruitment fails to take note of one cardinal fact that it is only a man of particular disposition who can be a success in the co-operative service. An average member of the civil service, if he has the necessary quality of tact in addition to the general education required of him, is more or less certain of being successful in the discharge of his administrative duties. But these qualities are by no means enough to make him a successful co-operator. In addition to these he must have a fair knowledge of banking and auditing, and above all must be a lover of mankind with an unbounded faith in the innate goodness of human nature. Unless he has these, he can never make a good co-operator. And these are the qualities for the development of which there is hardly any scope in the Civil Service. Therefore to attract the right sort of men to the co-operative service, we should aim at an independent self-contained service with its various grades, where the recruitment at the bottom will be done from amongst young men qualified both by education and temperament to do their future work, and where promotion to higher grades will depend upon the merit shown by each individual officer.

SECTION II—Honorary Officers

In addition to the regular whole-time officers maintained by the Government, in some provinces they have introduced the system of taking in the regular cadre of the department non-official workers as Honorary Officers.

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Thus in Madras we have 85 Honorary Assistant Registrars, while in the Punjab there is only one such officer and a number of Honorary Inspectors and Sub-Inspectors. In Bihar and Orissa, Bombay, Bengal and Assam they have Honorary Organizers. The policy underlying the appointment of Honorary Officers is to transfer "the responsibility for co-operative propaganda, organization and supervision of societies in steadily increasing measure to non-official agency. Government must, of course, remain responsible for the ultimate control of the movement and for the statutory duties of registration, audit and liquidation. In this presidency the non-official agency, which has been organized and which is being steadily developed for propaganda, organization and supervision, is the local supervising union and the federation of such unions, but progress in this direction is greatly hampered by the limited financial resources of the local unions and their federations. This restricts the opportunities of the non-official workers for learning their duties, and limits the scope of their work. To overcome this difficulty non-official workers (as a general rule, workers prominently connected with the movement and more especially with the local supervising unions) are selected for appointment as Honorary Assistant Registrars. These Honorary Assistant Registrars are encouraged to take a very substantial share in the supervision of societies, in propaganda and organization and in dealing with arbitration references. The scheme, therefore, affords

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considerable assistance to the non-official supervising agency and also gives non-official co-operators greater scope for work and better opportunities for learning their duties and responsibilities than would otherwise be available. The scheme is in the nature of a temporary expedient, until local unions become strong enough and efficient enough to dispense with this outside help." They are given travelling allowance from Government Funds. In Bengal "the Central Banks continue gradually to take over the cost of honorary organizers. During the year 1923—24 there were only 34 honorary organizers, whose travelling allowances were paid out of the departmental budget as against 41 in the previous year. The number of honorary organizers whose travelling allowances were paid by co-operative institutions is now 32 as against 26 of the previous year." This policy in Bengal is being pursued because they think it to be an "accepted principle that organization must be by extra-departmental agencies and in view of this consideration it is desirable that the department should have no responsibility for the progress of organization."

SECTION III—*Committees and Boards*

Besides these paid and honorary officers, Government, in some provinces, have brought into existence certain other institutions for the development of co-operation on right lines. Thus in Bihar and Orissa, we have a Standing Committee on Co-operation and a Development Board with its Development Officer; while Bombay has its

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Standing Committees on Co-operation and a Legal Committee on Co-operation. The United Provinces also have a Standing Committee on Co-operation. The Standing Committees consist of officials and non-officials and to them are referred all questions of importance concerning the Movement for their opinion. The Legal Committee in Bombay with similar constitution as the Standing Committee has to give decisions on subjects involving points of law that may be referred to it either by the Registrar or by the societies. The Development Board in Bihar consists of the heads of Development Departments and the co-ordination thus secured has proved a great help in arriving at definite lines of action for effecting various improvements in agriculture, industries, protection of the cattle and the like through co-operation. The members of these committees, like the honorary officers receive travelling allowances. In addition to these in Bihar they have Divisional Development Boards. These Boards consist of four official members each, *viz.* : (1) the Assistant Registrar, Co-operative Societies ; (2) the Deputy or Assistant Director of Agriculture ; (3) the Deputy or Assistant Director of Civil Veterinary Department and (4) the Circle Officer of the Industries Department and four from non-official representatives who are nominated by the Government after consultation with the departments concerned. The chairman of the Board is the senior official for the time being, and the Assistant Registrar of Co-operative Societies acts as

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the Secretary to attend or to depute an officer to represent him. The recommendations of these Boards are sent to the Development Board at the headquarters and if approved by them are given effect to.

SECTION IV—*Agencies Maintained by Co-operative Societies*

Practically in all the provinces the duty of supervising primary co-operative societies is done mainly by the central banks. For this purpose they keep either whole-time paid inspectors or supervisors or inspector clerks. The Directors of the banks also do some of the inspecting work. However, in Madras a great deal of supervision is done by Supervising Unions and their District Federations, through the members of their Managing Committees and paid supervisors. While in the Central Provinces, Bihar and Orissa, Bombay and Burma, the Guaranteeing Unions, and in the Punjab, the Banking Unions are doing much of this work. In Bombay "several of the central banks are not having their inspectors as well-trained as they should." They do not realize that if this "responsible work is to be satisfactorily performed they must get the right stamp of men, train them properly and pay them adequately." To ensure this, the Government of Bombay and the Provincial Bank have between them agreed to bear one-half of the cost of inspection of societies by district banks for a period of 5 years in the case of banks not

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in a position to pay more than 6½% as dividend on shares.

The only other institution which has been developed from within is the Provincial Co-operative Union found in the Punjab. There are in some other provinces, provincial bodies with similar aim and objects such as the Co-operative Institute in Bombay, the Co-operative Federations in the Central Provinces and Bihar and Orissa ; but these bodies have both individual co-operators, official and non-official, as well as, societies as their members. In the Punjab, on the other hand, the union is a real federation of co-operative societies in the province. The Registrar, Joint or Deputy Registrars and Assistant Registrars are *ex-officio* members, while the Registrar is the *ex-officio* President of the union.

Its objects are to promote and extend co-operation, to work for the common good of all co-operators and to aid in the conduct of co-operative business ; to take measures for the audit of all registered co-operative societies, which contribute to its funds; and to establish and maintain a provident fund for all the employees of the union of all central banks and of all other registered co-operative societies in the Punjab.

The funds of the Union consist of (1) contributions to the audit and provident fund and (2) other contributions toward the general purposes of the union. These are ap-

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plied to the promotion of the objects mentioned above by (1) the entertainment of a staff for the promotion and extension of the co-operative movement and for the audit of societies ; (2) contributions to a provident fund and (3) the purchase, printing and publishing of literature for the institution of the staff and of the members of the registered co-operative society and other measures for the diffusion of better knowledge of co-operation.

SECTION V—*Agencies in which Officials, Non-officials and Societies work together*

Agencies falling within this category may be divided into two divisions. The one has no regular membership and definite constitution but meets at regular intervals to discuss some questions and after expressing an opinion on them is dispersed. The other has a definite constitution with a definite membership and functions throughout the year. To the first class belong such gatherings of co-operators as the Divisional and District Conferences ; while to the second belong such institutions as the Co-operative Federations, the Co-operative Institute, the Co-operative Council or the Taluqa Development Boards. From the following table an idea can be had of the kind of institutions found in the various provinces.

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Province	Provincial Conference	District and Divisional Conferences	Providential Federation	Association Development	Journals
Madras	Yes	Dist. Con.	...	2 Propagandist Unions Co-operative Institutes	...
C. P. and Berar	...	Dist. Con.	...	(1) Taluka Development Association. (2) Branches of the Institutes	Yes
Bihar and Orissa	...	Dist. Con.	Co-operative Federation.	...	...
Bombay	Yes	Both	Co-operative Institute.	Co. Organization Society Co. Council	Yes
Rajasthan	...	Dist. Con.	Co-operative Federation.	District Agricultural and Co-operative Associations	...
Bengal	...	Dist. Con.	Co-operative Federation.	...	...
Burma	Biennial	Dist. Con.	Co-operative Federation.	...	...
Assam	...	Dist. Con.	Co-operative Federation.	...	...
Coorg	Yes	Dist. Con.	Co-operative Federation.	...	...
U. P.	Yes	Dist. Con.	Co-operative Federation.	...	...
Punjab	...	Dist. and Circle Con.	Co-operative Federation.
Ajmer	Co-operative Federation.

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Provincial Conferences

The provincial conference of co-operators is generally held annually, but in Burma it is held once in two years. In this conference all the officials and non-officials, who take an interest in co-operation as well as the representatives of co-operative societies take part. Papers on the important aspects of the movement are read and discussed. Important questions either regarding lines of future development of the existing state of things are referred to by the Registrar and the Government for the opinion of the conference, and the conference expresses its decision in the form of resolution. Sometimes exhibitions of industrial and agricultural products of the members of co-operative societies are also held along with these conferences. These conferences have proved a great success in focussing the interest of both official and non-official co-operators, and in bringing about a healthy exchange of sometimes varying points of view.

Divisional and District Conferences

The aim of these conferences is more of a propagandist nature and less deliberative. They concern themselves mainly with points of local interest. At these conferences it is usual to have lectures from experts of the departments of agriculture, industries and veterinary, on subjects which touch directly upon the life and labour of those present. These lectures are generally illustrated by the aid of magic lantern and other demonstrations, and have done a great

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deal to popularize the co-operative movement, as well as, the use of improved implements in agricultural industry.

In two provinces namely the Punjab and Madras the propagandist aspect of these gatherings is not so prominent as it is in other provinces, or as it used to be here a few years back. The Registrar of the Punjab writes : "Other provinces have their provincial conferences, which attract a certain amount of attention ; here, we, in many cases, have had to give up the idea even of district conferences, so great was the attendance, and resort to meetings for a *tahsil* only. Perhaps nothing is more impressive of the change that is coming over the rural masses than the proceedings at these conferences where representatives of one or two hundred villages gather together, and discuss matters relating to their economic welfare with appreciation and understanding. In a good circle it soon becomes clear that the real objects of the co-operative movement are becoming widely known ; the pros and cons of such contentious subjects as the return of shares or the payment of a dividend are discussed in a manner that would have been impossible even in a staff conference a few years ago. Our system of education by lecture and explanation is producing results which can well challenge comparison with those attained by another method, and which augur well for any carefully thought-out scheme of adult education which may be launched.

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At these conferences, the local staff of the Agricultural and Veterinary Departments usually take part by lecture or demonstration and we owe our thanks to the officers in charge for the cordiality with which they help us to make them successful." The Registrar of Madras has remarked on the situation almost in the same way : " In these conferences and in similar conferences for smaller areas (*e.g.*, local union conferences) the most important work, except in a few backward districts, is the discussion and settlement of practical questions affecting the working of the movement in the district or in the presidency as a whole. Nothing can be more encouraging as an indication of the way in which the movement is progressing than the business-like manner in which these conferences are as a rule conducted, the knowledge displayed of the subjects which come up for discussion, the tolerance of opposition and criticism and the spirit of reasonableness which generally prevails. The educative value of such conferences is very great, but they do not meet the need for the systematic courses of instruction referred to in the last paragraph.

These conferences afford valuable opportunities to officers of the Agricultural, Veterinary and Industries Departments, opportunities of which they readily avail themselves, for the purpose of instructing the people assembled, by means of lectures and demonstrations."

Of the permanent agencies with a definite constitution the Provincial Co-operative Federations are the most impor-

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tant. They are variously named in the various provinces. Thus in Bihar and Orissa, and the Central Provinces this provincial body is known as the Co-operative Federation; in Burma it is called the Co-operative Council, while in Bengal it is known as the Co-operative Organization Society and in Bombay as the Co-operative Institute. In all these the membership is open to societies, as well as, to official and non-official co-operators. But from the point of view of their objects they may be divided into two classes: one which is a deliberative and educative body and has as its objects (*a*) developing the co-operative movement in the province, acting as a centre for co-operative activity; promoting the study of all questions connected with co-operation, and ascertaining and representing the views of co-operators on questions of general public importance affecting the co-operative movement; (*b*) organizing co-operative societies, and organizing, conducting and supervising the training of the paid staff of central banks and societies, and the education of co-operators and (*c*) advancing all co-operative institutions in their methods of working, and securing uniformity of practice, unity in effort and in aim amongst all co-operative bodies in the province. Such provincial bodies are found in the Central Provinces and Berar, the United Provinces of Agra and Oudh, the Bombay Presidency and Bengal.

To the second class belong those which are found in Bihar and Orissa and Burma. These bodies in addition to

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the things mentioned above, undertake the audit and supervision of all co-operative societies within their sphere of influence. For this they maintain a staff of auditors and inspectors. The Provincial Co-operative Union mentioned under agencies developed from within the co-operative movement, which is found in the Punjab also falls within this class, as its objects also include audit and supervision. To secure their object these provincial institutions organize conferences and lectures, run training classes, and issue pamphlets. Four of them are conducting co-operative journals. •

The funds of these provincial institutions are mainly derived from subscriptions, contributions and donations, but the Bihar and Orissa Federation and the Bombay Institute receive a substantial subsidy from the Government. Other provincial governments have not yet seen their way to find money for this purpose.

Development Associations for parts of a Province

In addition to the provincial bodies studied above we have similar bodies for sub-divisions of a province. Thus in Madras there are two propagandist unions. The Madras Provincial Co-operative Union which is the propagandist Union for the Tamil districts is doing useful work. Its chief activity is the publication of the Madras Bulletin of Co-operation. At its instance the International Co-operators' Day was celebrated throughout

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the province. It publishes pamphlets and leaflets on important co-operative subjects. The Provincial Conference is held under its auspices. The Andhra Sahakara Sammelenam at Masulipatam which is the propagandist union for the Telugu districts issue a co-operative periodical called the *Sahakari* in Telugu. In Bombay the Co-operative Institute has its Divisional Branches, of which the Sindh and Gujrat Branch Institute are doing splendid work. In the Central Provinces and Berar there are two co-operative institutes one for Berar and the other for Jubbulpore and Nerbudda Division. The objects of these institutes are (i) to develop the co-operative movement within their respective areas, to serve as a centre for co-operative activity, to promote the study of all questions connected with co-operation and to ascertain and represent the views of co-operators on questions of general public importance affecting the co-operative movement ; (ii) to encourage the exchange of views on co-operation between its members, to advise co-operative societies in their methods of working, to ensure uniformity of policy and unity in co-operative effort and to ensure that all business is conducted on genuinely co-operative lines ; (iii) to organize, conduct and supervise the education of the members of primary societies in the principles and practice of co-operation ; (iv) to train and license the staff maintained for writing the accounts of primary societies and to train and license members of primary societies in writing the ac-

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counts of their own societies ; (v) to train and license the paid staff of Central Banks and (vi) to assume the control and management of the audit of primary co-operative credit societies.

The constitution of the Berar Institute is modelled on that of the Central Co-operative Institute, Bombay, and its membership is open not only to societies but to persons interested in co-operation as well. The membership of the Jubbulpore and Nerbudda Divisions Institute is confined only to co-operative institutions and is similar to the Punjab Provincial Co-operative Union. The Berar Institute is financed by subscription from individual members and by contributions from the profits of the Central Banks and primary societies at the rate of 7½% and 15% respectively. The Jubbulpore and Nerbudda Divisions Institute obtains its funds from Central Banks and primary societies at the rate of Re. 0-4-0 and Re. 0-1-0 per Rs. 100 of working capital.

District Organizations : There are only two provinces, namely Bombay and Burma in which organizations for the promotion of co-operative activity of the type we are studying exist at present. In Bombay the policy adopted is to encourage the opening of the district branches of the Co-operative Institute for carrying on the same kind of work as the Provincial Institute and its Divisional Branches do within and for their respective areas of influence. In Burma, they have no divisional institutions, but they have

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District Agricultural and Co-operative Associations. These bodies are independent of the Provincial Co-operative Council in the sense that they are not its branches but they participate in the Burma Co-operative Council as its members, but their objects are of the same nature as of the provincial body. They assist registered co-operative institutions in the district by (*a*) advising societies, and (*b*) representing the needs and interests of co-operative institutions in the district to the District Officer and through the Registrar to the Government. They arrange for the supply of co-operative literature, forms and stationery. They promote co-operation of agriculture and industries by the propaganda of agricultural, industrial and economic enquiries; arrange District Conferences; and provide for the teaching of co-operative principles, account-keeping and methods of co-operative business. And lastly they make provision for societies of auditors authorized by the Registrar to undertake this work. There are 16 District Associations in Burma; of these 13 have definitely assumed control of audit within their districts. The Registrar is of opinion that "all are not equally efficient; but the way to get work out of them is to give them work to do, and there is evidence to show that the experiment of this important devolution of functions will be justified by the results. The Registrar's check over audit is still maintained in two important directions :— (*a*) the power of restricting the grant of license to audit (under section 17 of the Co-opera-

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tive Societies Act) to those persons only whose qualifications are adequate, and (b) check over the progress of audit programmes and over audit reports in the Audit Branch of the office."

In Bombay they have gone even farther than a district and have organized Taluqa Development Associations. But these are not branches of the Co-operative Institute, but independently registered bodies. The object of these associations is the agricultural development and organization and supervision of co-operative societies within the *Taluqa*. * With a view to achieve these objects these associations undertake (a) the dissemination of agricultural knowledge by means of demonstration lectures, pamphlets and so forth. They supply through co-operative societies and on the principles of the co-operative movement (1) good and reliable seeds, (2) better and improved implements and (3) good and useful manures. They interest themselves in the improvement of the breed of cattle and the milk supply; consolidation and enlargement of scattered and small holdings ; development of cottage industries ; organization and improvement of co-operative societies. They purchase on indent for the members and constituent societies, seed, manure and implements, as they may require, and arrange for the sale of their produce. And they also represent the grievances of the agriculturists to the authorities concerned.

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One interesting feature about these associations is to be found in the Advisory Committees attached to them. The Advisory Committee consists of (1) the Deputy Director of Agriculture, (2) the Assistant Registrar, Co-operative Societies, (3) the Cotton Superintendent, (4) the Entomological Assistant; (5) the Cotton Breeder, (6) the Superintendent, Agricultural Station, (7) the District Agricultural Overseer, (8) the Agricultural Overseer in charge, and (9) to (11), three non-official members to be elected by the Managing Committee of the Development Association and (12) the Auditor, Co-operative Societies. The advice given by this committee, from time to time, has to be carried out by the Managing Committee, as far as may be possible and practicable. These Taluqa Development Associations have been formed under the co-ordination scheme developed by "several of the Taluqa Development Associations, which have been formed under the co-ordination scheme, have already commenced to do good work. Out of these associations, 23 are registered under the Co-operative Societies' Act." The Government of Bombay have placed 3½ lakhs of rupees at the disposal of the Provincial Co-operative Bank for land improvement, and the Agricultural Department have detailed a separate Land Development Officer to work in co-operation with the Co-operative Department, and "through his assistance, it is hoped to form joint schemes of land improvement and finance them out of the *Taqavi* grant."

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Arbitration: We have tried to give an idea of the efforts so far made to de-officiate the control of co-operation in India but as the Registrar of Madras has remarked in a passage quoted elsewhere*, there are certain functions in relation to co-operative activity that must always (at least so long as the present Act is not changed) remain with the Registrar. To this class belong the duties of granting co-operative existence, *i.e.*, registration, audit, arbitration and liquidation. We find a successful effort having been made to de-officialize, it should have proved of inestimable value as a source of inspiration and guidance to other provinces had it lived long enough to enable people to form a correct estimate of its worth. But its useful career was unhappily cut short by the solicitude of an unimaginative minister for the *panchayat* System. So even there now the Registrar and his staff are mainly responsible for the work of arbitration.

In the case of a dispute touching the business of a co-operative society, between members or past members of the society, or persons claiming through a member or past member, or between a member or past member, or persons so claiming and the committee or any officer, a reference in writing must be made by any party to the Registrar and the Registrar has power either to decide the dispute himself or to refer it for decision to an arbitrator

* Supra page 215.

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appointed by him or to several arbitrators of whom one may be appointed by him and one by each of the parties to the dispute. The duties of an arbitrator are judicial, but the Evidence Act does not apply to the proceedings before him, and although he should endeavour to follow the general rules in admitting evidence, he is not required to comply strictly with them, and failure to conform strictly with the provisions of the Evidence Act is not a valid objection to the award. Nor are the legal practitioners allowed to appear before the arbitrator on behalf of the parties. The Registrar or the arbitrators have the power to administer oaths, to require the attendance of all parties concerned and of witnesses, and to require the production of all books and documents relating to the matter of the dispute by the same means and in the same manner as is provided in the case of a civil court. After hearing the parties, and going through the evidence both oral and documentary, the Registrar or the arbitrators give their award in writing, and such decision, on application to the civil court having local jurisdiction is enforced as a decree of the civil court. If arbitrators have been appointed by the Registrar, then any party aggrieved by the award may appeal to the Registrar within one month of the date of the award, and his orders in the matter are final.

Liquidation: When the registration of a co-operative society is cancelled by the Registrar, the society ceases to exist as a co-operative body. A liquidator is appointed to

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wind up the concern and his powers are derived from the Co-operative Societies' Act and the rules made by Government under that act. When a liquidator is appointed, as a general rule, he immediately takes into custody all books, registers and accounts belonging to the dissolved society, as well as, all the property, effects and actionable claims to which the society is entitled. But he is not entitled to do so under the law. He should wait for two months or for more, *i.e.*, till the cancellation of the registration. He does not therefore take possession of the records and properties whenever he apprehends opposition. After this, he draws a statement of the assets and liabilities on the basis of information at his disposal. Then he publishes a notice requiring all claims against the society to be submitted to him within a specified time. All liabilities recorded in the account-books of the society are taken as duly notified to the liquidator. In the meanwhile, he sets off the assets of the society held by the Central Bank against the dues of the Central Bank. This is done in the earlier stages of liquidation, because, it would be inequitable to allow the Central Bank to hold the assets of the society, while the debts of the society to the bank carry a higher rate of interest.

After this he investigates all claims against the society. The accumulated reserve fund used as the working capital

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of the society is at first included in the liability.* In the assets the liquidator includes the cash balances, if any, on the date of dissolution. Then he recovers the debts due to the society from the members as much as possible. If necessary, the liquidator may institute suits for the recovery of sums due to the society. Then he proceeds to decide the question of priority arising between claimants and draws up a scheme for the payment of their dues. No payments are made out of the reserve fund and other assets of the society till so much of the assets of the society as can be recovered from members has not been recovered. If these are not sufficient to meet the liability, the liquidator proceeds to determine the contributions to be made by each member or past member to the assets of the society. He also determines in what proportion and by what persons the costs of liquidation are to be borne.

Any person affected by an order passed by the liquidator may make such representations as he desires to the Registrar and the latter may pass such orders as he thinks fit. In discharging the liabilities of a society precedence is ordinarily given to a loan from the Government. Next the borrowings are paid with interest till the date of repayment. Then the deposits of non-members are paid. Then

* *Bombay* : The reserve fund is not treated separately from other assets of the society.

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the deposits of members. And lastly the share money paid by the members.* Current deposits of each class are given precedence over the fixed deposits of that class. If after meeting all liabilities any surplus is left the liquidator calls a meeting of the committee members of the dissolved society and asks them to select an object of local interest or public utility to which the surplus is to be applied.† If the committee fail to select an object the amount is deposited in any co-operative bank until a new society within a similar area of operation is registered, in which case, the amount is credited to the reserve fund of the new society.

If, however, the assets of the society fall short of the liabilities, then the liquidator has to assess contributions from the members or the past members. However, this is only done when he finds that the assets including the reserve fund and other funds of the society are insufficient to meet the outside liabilities, *i.e.*, all liabilities except the share-capital. For this purpose, a meeting of the members and past members is called by the

* *Madras* : If the funds permit, the members are entitled not only to the repayment of their share-capital but also to any dividend for the year or years in which no dividend was paid, when the society was working.

† *Madras* : A few old societies "are probably entitled to divide the surplus funds among themselves if they so choose." *Burma* : In all the non-credit societies surplus funds, if any, are divided amongst the members.

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Liquidator and before them he reads the up-to-date balance sheet of the society and explains to the members their individual accounts as they stand according to the records, verifies them and makes an enquiry into the financial position of every member and discusses with them all the bad and doubtful debts. He hears all objections, takes necessary evidence on them and gives his decision. He then prepares a statement showing in detail the amount due to the society from every member and the extent to which it is possible to recover from him. Then he draws up his formal order, determining the contributions to be made by the members to the assets of the society. Any sum so determined by the liquidator to be recovered as a contribution to the society or costs of liquidation is recovered on a requisition being made in this behalf by the Registrar to the collector in the same manner as arrears of land revenue.

Usually, the following order in which assets are utilized for meeting liabilities is adopted: first of all the cash balances, if any, are utilized for this purpose. Then the deposits of the society with other co-operative banks. Then the proceeds of the debt realizations from the members or the sureties of indebted members. Then the sale proceeds of the property belonging to the liquidated society, then the reserve fund of the society, then the money paid by the society towards the purchase of shares in the Central Bank and last of all the contribution from members.

CHAPTER IX

AFTER-THOUGHTS

It is generally acknowledged that the credit society is the best foundation, on which more ambitious schemes could be built. And the experience of people who have worked in the co-operative movement is that "where there is a well-managed and successful credit society, there will be found the best prospects for agricultural improvement or any other form of co-operative activity." Co-operation in India, therefore, was originally introduced to provide capital for agriculture and the primary credit societies continue, of course, to lead in numbers and importance, and this is but natural in an agricultural country like India.

But it would be wrong to judge what co-operation has done by studying the mere numbers of co-operative credit societies either per 100 of the population or to feel content by giving figures of deposits or owned capital merely. The true aims of co-operation are wider. Co-operation aims at much more than the mere provision of cheap credit. No credit, cheap or dear, is likely to be of any avail unless those who receive it have been taught the wise use of it. It aims as observed by Mr. Calvert at "adult education of which the primary object was to instill into the people the need for organizing themselves on economic lines if they were ever to escape from the burden of

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poverty and debt. Our object, as we understand it, is to examine the whole economic structure...to study the defects which retard economic progress and to discover the factors which contribute to the comparatively low standard of prosperity, and then to devise schemes whereby the people can remedy these deficiencies and remove these factors by organizing for self-help and mutual help." Co-operation, therefore, does not mean the " mere reduction of indebtedness and the provision of cheap credit; it means self-help, the improvement of moral and material position of a number of people by their own united efforts. Success is therefore to be judged by the extent to which the co-operative movement has succeeded in realizing these two and in teaching the members thrift.

Judged by these standards one hardly feels justified in saying that co-operation has made much of a success in India as a whole. True, there are some provinces notably the Punjab, Burma or Bombay where the movement has made a deeper impression than in others, but even there it has touched only a fraction of the population, and there is so much left to be done. When I say that co-operation has not made much of a success, I do not mean for a moment to belittle the work that has been accomplished so far; nor do I mean to question the soundness of the co-operative organization and its suitability as a potent factor in the solution of India's great problem of mass indebtedness, mass poverty and mass ignorance—in a word mass

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awakening. What I do mean is that we should not be content with what we have succeeded in achieving, because what we have achieved though great in itself, and more so when we take into consideration the brief space of twenty years, which is but like a second in the life history of an ancient country like India, is very little indeed in relation to what still lies before us to be attained.

What we have secured is a valuable acquisition in itself, as it has proved the success of an experiment. As the same experiment was being conducted under a dozen differing environments in the various provinces of India, we have now at our disposal a wealth of experience that should prove of inestimable value in deciding our future policy in regard to this movement. This acquisition is by no means a mean advantage. It is this which impels me to make one general observation which, so to say, has been continuously forcing itself upon my attention, as I have been studying the co-operative movement in the various provinces of India and abroad. It is that those responsible for the development of this movement whether officials or non-officials must clearly recognize that the success of the movement depends much more on the spirit in which it is worked and much less on the form of organization, *i. e.*, laws, bye-laws and regulations. This discovery on my part is by no means new. Sir Frederick Nicholson while concluding his report in the early nineties of the 19th century remarked "Find Raiffeisen and the problem of Co-operation

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is solved." To an off-hand observer the remark may appear a little dogmatic but to me there appears to be no sterner truth than what is conveyed in those words. The laws and bye-laws are very similar in the two adjoining provinces of Agra and Oudh, and the Punjab, and yet there is no denying the fact that the Punjab is not only superior in the number and variety of co-operative activity, but that the societies in that province are also far more co-operative in their outlook than the societies in the United Provinces. Comparisons are always odious, but at the risk of being hit hard, I must be out with what I feel. Attached to the movement for years past, we in the United Provinces have not had a man with a heart aglow with the fire of sympathy for the submerged classes and inspired with that zest for human uplift which has been egging on men like Calvert, Strickland and Darling in the Punjab, or men like Deodhar and Lallu Bhai Samaldas in the Bombay Presidency. The progress of co-operation in the Punjab has led the Committees on Co-operation appointed in the Central Provinces and the United Provinces to recommend changes in the constitution of societies to approximate them to the Punjab model. So far so good. But we must keep in mind that a mere change in the constitution would not work wonders, because what makes for success in life is not so much the constitution as the men and the spirit with which they are prepared to work. It is a little hopeful to note

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that the committee appointed by the United Provinces Government have recognized the great importance of the human factor in this movement, and have duly emphasized the need of attracting the right kind of men for service in the movement. And it is on securing the right kind of men, whether paid or honorary, that our efforts should be directed towards the movement not only in the Provinces, where the movement has been definitely pronounced as backward; but also in those where it is well established. Unless those who go about organizing and spreading co-operation have their heart in the movement, it is not possible to gain the confidence and support of the people for whom the movement is really meant. With a few honourable exceptions, the type of man that has so far, in most cases, been attracted to work in this movement is that self-seeking type to which the title and the *sarad* are the chief appeal. He is not there because he has been driven to it by an inward force, but he is there because he finds in the movement a fresh avenue for his ends. And this has proved not only the curse of co-operative movement, but of all other social problems which are awaiting their solutions. The absence of real civic conscience in our educated and moneyed classes is at the bottom of all our failures. It is this absence that makes so many of us talk glibly on the platform of the uplift of the depressed classes and yet keeps us from doing anything serious in that direction. We have so many schools and colleges, nay, universities

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for the higher castes and so many educational trusts that award scholarships to these same classes, but I know of not more than one meant exclusively for the depressed classes.* And yet in every conference and congress a resolution for the up-lift of the depressed classes must be passed ! A *Malaviya* could gather a crore of rupees and establish a university for the higher castes but even he could not go beyond words for the depressed classes. A *Gandhi* could squander another crore on his whims of *khaddar* revival, but the idea of establishing educational trusts, of say ten lakhs each, for each individual province for giving scholarships or founding institutions for the education of the depressed classes could not yet find a place in his head. And yet he must always talk and write of the uplift of the masses. It is the absence of the real civic conscience in our landed classes that make them flaunt in the face of serious people as the leaders of the agricultural classes and yet has kept them from doing anything howsoever little for the development of agriculture or the betterment of the classes engaged in it. If the Government initiated the experimental and demonstration farms, their cunning provided them even in these well-intentioned institution a fresh avenue of title hunting. What wonderful genius we in India seem to have for making farce of all things great !

The one great lesson that I have learnt from the comparative study of co-operative organization in the various provinces is that the real cause of the failure of co-operation

* That organized by Lala Lajpat Rai in the Punjab.

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in the United Provinces and the Central Provinces, and its comparative success in the Punjab and Bombay, is the lack of civic conscience in the educated middle-class people. If co-operation is becoming a living force in the Punjab it is because that province has been singularly fortunate in having a band of living officials—*officials who live for the people, who think for the people and work for the people.* If co-operation is a living force in Bombay, it is because that province has succeeded in securing a set of living officials in addition to a band of enthusiastic and earnest non-official workers. And that is why in Bombay alone we find not only a living co-operative movement, but also an organization for its development, complete in all its details.

If the general statement made above is true, as I think it is, and my thought is based on its negative support as evidenced in the United Provinces and the Central Provinces, and its positive support in the Bombay Presidency and the Punjab, then at the helm of affairs of this movement we should have enthusiastic lovers of poor agriculturists and depressed classes, and equally enthusiastic believers in the potentiality of the co-operative principle. And yet their love and enthusiasm must be tempered with sober facts and figures about (i) the working of co-operation in the various provinces of India and abroad and (ii) the peculiar needs of the people they want to help. Unless we have this rare combination of qualities in our

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higher officials from whom the classes are to catch their enthusiasm, there is not much chance of the right type of non-official being attracted to the movement. 'Birds of the same feather flock together.' A mediocre who may find himself at the head of the movement through jobbery or flattery is but sure to attract a band of jobbers and flatterers. And if we have honest and earnest workers at the direction of the movement—*workers whose moving force is service of humanity*—then only men of this particular stamp will be attracted. To aid such officials in their honest efforts the lure of the title and the *sanad* should go and the Garibaldian note of '*Come and die ! Your country needs you*' must be substituted in its place. True it is not likely to attract many people in the beginning, and the work may have to proceed rather slowly, but the work of one sincere man would be far more effective in its results than the sum total of the work of a crowd of job and title-hunters.

To secure such men an appeal should be made to the dormant patriotism of our educated young men in the universities and colleges by means of lectures, magic lanterns, pamphlets and so forth, wherein an attempt should be made to impress upon them the appalling misery of their poor brethren, and how by their efforts it could be got rid off. Having secured the heart of a few educated young men in this way, they should be trained in the university itself for working for co-operation in their later

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life. These men should be put in charge of a small board consisting of one or two teachers of the university—teachers who are themselves interested in the co-operative movement and in other kinds of social work—and at least one man from the co-operative department. The University part of this board should initiate these young men into the principles of co-operation and its working in the various countries, in auditing and accountancy, together with a detailed study of Rural and Urban Economy with special reference to the conditions of the Provinces for the service of which they may be undergoing training. The Departmental part of the Committee should take these young men to the areas where the classes for whom the movement is being organized live and labour, to show them the condition of the people they will be called upon to serve, as well as, to bring home to them the contrast in the life of people living in localities where there are societies already working and of those who live in places where there may be no societies.

The next important question that arises is how to utilize the services of these trained young men, *i.e.*, whether they should be recognized as honorary organizers, carrying on their work under some sort of a guidance of the Department, but just in the manner that suits their convenience best as is the practice in most of the provinces, or they should be taken in the regular cadre of the co-operative service as honorary officers carrying on their work under

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the control of the Department just like the other officers, as is the practice adopted in the Punjab. Looked at from the purely efficiency point of view the second would appear as by far the better of the two. But the kind of man that is likely to be attracted to serve under these conditions is of that kind of young man who after proving his worth as a honorary worker for a year or two aspires for a permanent paid employment in the Department. It is only this kind of man that can not only devote his whole time and attention to the co-operative work, but can also live without any monetary help just looking at this period as that of apprenticeship. And who can deny the great capacity of our apprentices to subsist on hope? However, such a rigid system, though admirable in its own way is not likely to encourage most of those non-officials, who though quite honest and earnest in their desire to work for the co-operative movement, have their own avocations of life that claim their time and attention, and therefore who can give only their leisure time to this work. That it is likely to result in keeping such non-officials largely out of the movement is supported by what has happened in the Punjab. That even people of this class can do a great service to co-operation is proved by the experience of the Bombay Presidency, and on a minor scale elsewhere as well. Arguing *a-priori* it would appear that we should utilize both these mothods of enlisting the services of non-officials. There are certain functions in relation to co-

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operative activity such as propaganda, organization, general supervision and control to ensure the creation and maintenance of a living co-operative spirit these should be entrusted to the honorary organizers. An officer, whether honorary or paid, acquires a peculiar air about him, which seldom succeeds in evoking the same degree of confidence among the masses as a non-official organizer, preferably from the same locality as the societies put in his charge, is calculated to do. To the non-official organizer therefore I should prefer to leave that work which brings him into intimate touch with the members. While to the honorary officers should be left the regular duties of their office and the supervision of the work of other non-official workers. But such honorary officers should not be taken in large numbers as can not be absorbed in the regular paid cadre of the Department within a reasonable time. If, however, there be some persons forthcoming who have nothing to do to earn their living, and who can devote their whole time and attention to the service of the movement without expecting any reward from it in the future except the joy of service rendered, then they should be encouraged to come in and honorary rank conferred upon them. There should be no need for me to add here, that under this scheme the future recruitment to the Co-operative Department would be from amongst the waiting list of Honorary Officers, and that the kind of previous training recommended above would be confined not only to those who want

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to enter the co-operative service but would be a *sine qua non* of all honorary workers, as well.

The other point that has struck me, rather forcibly during the course of my studies is the want of some uniform principle in the organization that have been set up in the various provinces to propagate, control and guide the co-operative activity. In a case like this where each province has its peculiar problems a certain degree of diversity in aims, organizations and methods is what one should be prepared to meet, and yet I cannot persuade myself to believe that by an interchange of thought between the Registrars of the various provinces and other Development Officers such as the Directors of Agriculture, Industries, Education, and the Ministers of Education, Industries and Agriculture and of Local Self-Government we could not bring into existence certain general principles that would in future underlie these organizations in all the provinces, while making all possible allowances for the peculiar needs of each.

Thus in almost all the provinces it is clearly recognized that there should be a close co-operation between the Department of Co-operation, Agriculture and Industries, but with the exception of Bombay, and Bihar and Orissa, this co-operation is generally confined to occasional interchange of ideas as between the officers of these Departments, and each department seeks to set up its own organ-

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ization in the *muffassil* for putting its ideas into practice. This lack of closer co-ordination at the various stages has resulted in bringing into existence a host of organizations with similar aims and objects and has led to an unnecessary waste of time and money. The number of people both able and willing to take part in public activities being limited in India, the result usually is that the same set of people with slight alterations in the personæ is met with in them, and as most of the individuals thus succeed in having too much of a good thing on their hands, the work in all of them suffers. If, however, we could devise some consolidated scheme of development in which the activities not only of the various development departments but also of non-official workers in the various development fields could be co-ordinated, then there would be greater chances of success with much less expenditure of time and money on our schemes of development.

To put this idea into practice, if found acceptable, we should have in every province a Development Board consisting of (1) the Ministers in charge of Agriculture, Industries, Local Self-Government and Education, (2) the Directors of Agriculture, Industries and Education, (3) the Registrar of Co-operative Societies and the Officer-in-Charge of Local Self-Government and the Chief Engineers in charge of Buildings, Roads and Irrigation; (4) The Presidents or the Chief Officers of the Provincial Co-operative Bank, and the Imperial Bank of India ; (5) two or three

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gentlemen nominated by the Governor to secure expert advice, and (6) a few persons nominated by the Provincial Legislature. This board should have as its *ex-officio* president the Finance Member of the province. To this board all schemes of development in the province whether in education or in industries or in local self-government should be submitted before final sanction. For its permanent Secretary there should be a provincial development officer with a number of assistant development officers for each individual development branch such as the educational assistant, the co-operative assistant and so forth. These assistants may preferably be the heads of the Development Departments such as the Director of Public Instruction or the Registrar of Co-operative Societies. Similarly the Board itself should have its sub-committees each in charge of a particular branch with the respective Assistant Development Officer as its Secretary. These bodies as I contemplate them, would be deliberative in character; and would seek to co-ordinate the various schemes of development that may originate in the various development departments and that would as such make recommendations to the various executives concerned.

We have an organization answering somewhat to the above description in Bihar and Orissa, but its constitution is exclusively official and its objective much less comprehensive than is contemplated here. Besides this it begins and ends at the top. There is nothing to carry its

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co-ordinated effort in the interior of the province, except the contemplated Divisional Development Officers. To make the idea really effective we should have District Development Boards, consisting of both officials and non-officials and having similar sub-committees as mentioned above.

In the District Development Board, the Government, in addition to such development departments' officers, as the District Co-operative Inspectors or the Junior Assistant Registrars, the Inspector or the Deputy Inspector of Schools and the officers in charge of industries and agriculture, the District Engineers of Buildings, Roads, Irrigation and the District Veterinary Officer, should be represented by the District Officer who should be its *ex-officio* chairman. The non-official element being provided by one nominee each from (a) the local municipal committee, (b) the District Board, (c) the local university, college or school, (d) one nominee from the District Central Bank, (e) two nominees from other district organizations co-operative or otherwise which may be busy either in the development of agriculture or industries and (f) such other individuals as may have given proof of their active sympathy, as well as, their willingness and ability to serve by continuous honorary work in any of the fields of development. Such individual should be nominated by the District Officer in consultation with the other official and nominated members as mentioned before.

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To the co-operative sub-committee of this board should be entrusted the work of propaganda, organization, supervision and control of the co-operative societies in the district. All paid and honorary supervisors and organizers should be under its control and it should be made responsible not only for the education and training of these supervisors and organizers, but also for the training of the managers and secretaries of societies. The only province in which we find any organized system of training and education of the co-operative staff is Burma: in others this work is left either to the District Central Banks or to the Government officials, or is shared by both.

In the Punjab they had one educational inspector, and the three months' class at Gurdaspur, where education in Rural Economics and co-operation was imparted. However, "owing to financial stringency, the educational inspector has had to be absorbed in the regular work, and the three months' class at Gurdaspur has been abandoned temporarily. The Refresher Courses for the staff have been handed over to the Circle Registrars, who have been given discretion to hold them or not as their allotment for travelling allowances permits."* However, the latest information is that all is now well. They have two Educational Inspectors and classes and courses are in more vigorous swing than ever. This means that even in this

* *Vide Report on the working of Co-operative Societies' Act in the Punjab, 1923-24.*

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province outside the select co-operative circle, the value of education is not appreciated. If it were, then there should have been no difficulty in securing funds for such a desirable purpose.

In Burma the training and examination of societies' secretaries and union secretaries are undertaken by local central bodies such as The Union Group Boards and District Associations with the help of the staff of the department. The classes for these are held quarterly or half-yearly and are followed by examinations. The examinations for supervisors and auditors are conducted by the examination sub-committee of the Burma Co-operative Council, the Registrar acting as President. The sub-committee has powers to co-opt other persons, official or non-official, to act as examiners and moderators. These examinations are held half-yearly in both Mandalay and Rangoon. If a candidate succeeds in passing the examination he receives a certificate. Nobody can be appointed either as supervisor or auditor unless he holds the certificate given by the Council. The Auditors who are already in the employ of the Burma Co-operative Council are given a refresher course of lectures once a year and are examined at the conclusion. The Burma Accountancy Institute, which was started in the year 1922-23, "has been successfully working, and is conducting classes for candidates who desire to appear for the examination conducted by the Accountancy Diploma Board, Bombay, for the grant of the Govern-

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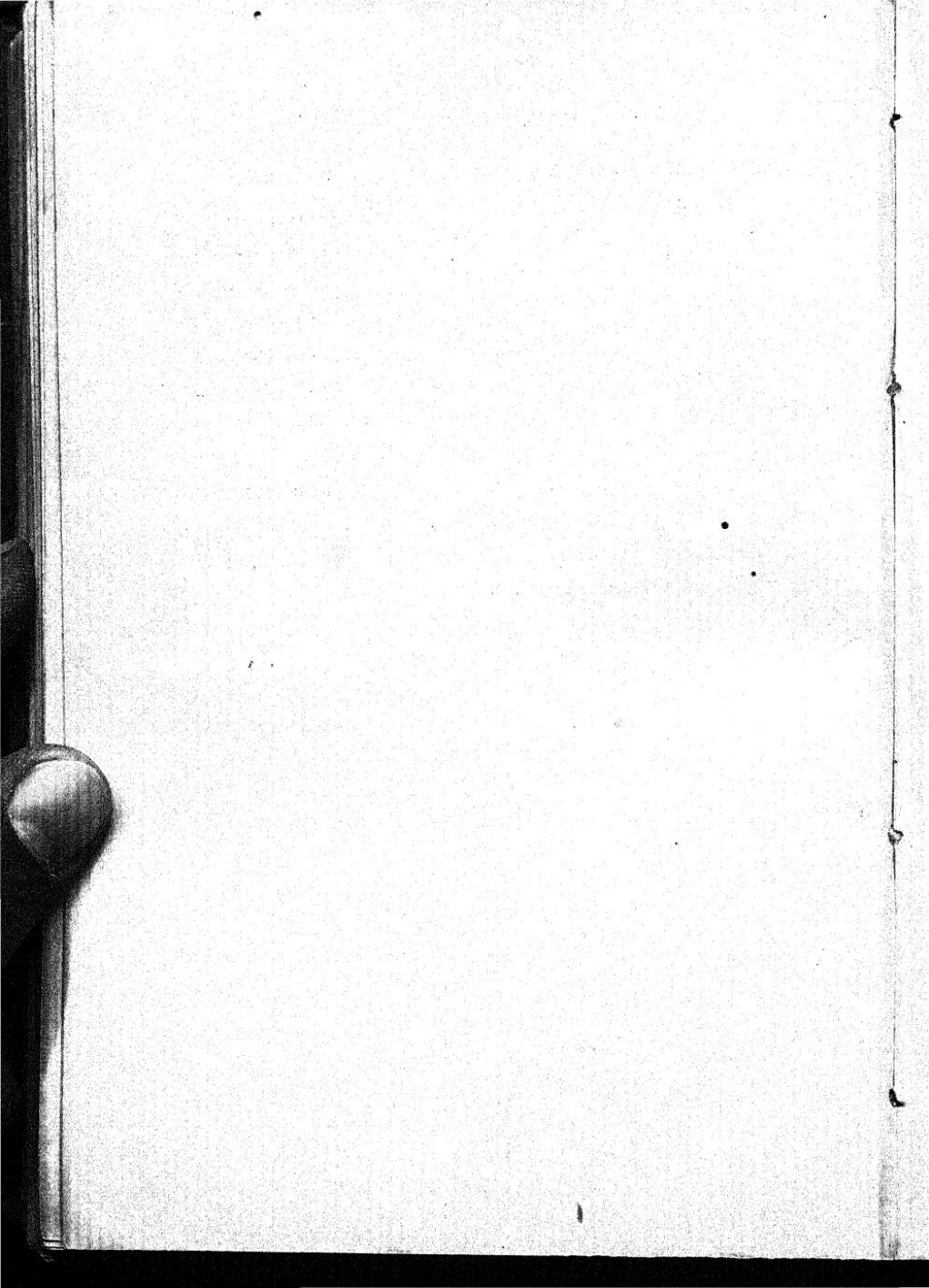
ment Diploma in Accountancy. The Registrar is the chairman of the Accountancy Classes Advisory Board, which conducts the arrangements connected with the Institute.

From the brief description of what is being done in regard to the training of society secretaries, managers, supervisors and auditors, it should be clear that (1) we have no satisfactory system in most of the provinces and (2) that outside Burma there is nothing to secure uniformity of standard in the work of society secretaries, supervisors and the auditors. If, as recommended above, the Co-operative Committee of the District Development Board is entrusted with the training of these people, the desired uniformity would be secured. In the provinces, such as Burma and Madras, where the Unions undertake the training of society secretaries, it is not necessary to take away the work of training and teaching from them, but the examination should be conducted by the District Organization, and only those who hold the certificate issued by it should be entrusted with the work. In addition to conducting examinations for the secretaries and arranging for their training in the provinces, where the union system is not developed, the District Organization should undertake the teaching and the training of the supervisors, the managers of the Central institution, and the auditors. The scheme as I contemplate it, would take away the work of propaganda, organization and control from the central financing

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institutions and leave them for greater time to attend to the problems of finance which under the existing circumstances are not receiving their due share of attention. But it would leave the central institutions other than finance in tact. The District Organization should never attempt the tasks of supervision, audit, and the control of the supervisors and auditors in those localities where we have either Supervising Unions or the Guaranteeing Unions. In such localities it would confine itself to the general work of education, propaganda and organization. I have tried to make this point clear as I am very much alive to the superiority of supervision and control from within to all outside control, however well-intentioned it may be.

[THE END]



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